

LOCATIONAL ANALYSIS AND DISTRIBUTION STRATEGY FOR A LOCAL RETAIL BANK

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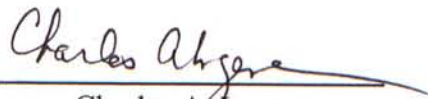


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CHAPTER 1

INTRODUCTION

Hong Kong is a renowned and well-established financial center, playing an important role in Asia same as that of London in Europe and New York in North America. A lot of banks are therefore having branches in Hong Kong. As of June 1998, there were 497 financial institutions operating here.

In the 1990's, most of the Hong Kong retail banks expanded their branch networks aggressively. Through this branch growing strategy, banks were able to:

- (i) have more channels to do business (e.g. loan application);
- (ii) have more channels to collect money (e.g. saving);
- (iii) build up the bank's image and;
- (iv) conduct marketing activities in their branch outlets.

In fact, it was a common practice for retail banks in Hong Kong to use the number of branches as one of their strategic objectives and as a measure of their competitiveness.

During this economy boom period, the aggressive branch expansion strategy, especially for local retail banks, was making perfect sense because:

- (i) the increased profit from increased transaction volume outweighed branch set up cost and;
- (ii) the property market was bullish in Hong Kong, therefore branch property asset had in fact brought substantial profit growth to the bank (In Hong Kong, property value could be evaluated each year and accounted).

However, the recent Asian financial crisis has made the management of retail banks to re-consider their expansion strategy. According to annual report from the Hong Kong Monetary Authority, Hong Kong Dollar deposit was decreased by 2% and loans and advances were reduced by 16% in the 12 months period from July 1997. This was mainly due to decreasing personal income and reducing business loans demand during the economy depression period. Moreover, 55% drop in property values affected the loan quality and made banks exercise tighter credit control in order to reduce bad debts.

In fact, many banks had stopped opening new branches even though it was planned before. Bankers are asking themselves whether it still makes sense to have more than 10 banks in the same street and to have two branches belonging to the same bank in the same complex? Should merging and acquisition be considered as a way to expand network or to reduce cost by having fewer branches after the merger?

Banking is a labour intensive industry. Staff and branch premises expenses accounted for majority of the total operating cost. Effectiveness and productivity of the branch network is critical to profit maximization. In addition to the above-mentioned questions, bank management should also review the branch locations to

adapt to the changing market and economy, as well as the people movement and town development in Hong Kong.

On the other hand, innovative technology supporting retail banking in way of paperless (e.g. no account book), branchless (e.g. machine booth), timeliness (no limit of banking hours), and staffless (no staff) raises a big challenge to retail bank's location and distribution strategy as well. These new challenges include, e.g.

- Self Service Terminals, e.g. Automatic Teller Machines
- Telephone Banking
- Internet Banking
- Home Banking
- Video Kiosk

In this project, we try to answer the above questions by analyzing the general banking industry practices in Hong Kong and in particular the performance of a leading medium size local bank. We select a medium size bank because we believe the location and distribution strategy will be most critical to a medium size bank rather than a big one or a small one. A leading local bank is selected for study because such kind of bank needs to consider all issues mentioned above for it to remain leading and competitive.

At the end of the project, we would suggest to the bank a competitive solution in terms of location, distribution and line of business together with other marketing mixes.

CHAPTER 2

METHODOLOGY

In this project, our focus is to formulate marketing strategies, especially the distribution strategy, for a local retail bank. We adopt a top-down approach to analyze various social, economic, financial, industrial, and operational issues in both macro and micro levels. After identifying relevant trends and insights into the future, we formulate, justify, and select our final recommendations.

Our top-down methodology involved 8 steps:

Identify social-economic trends

This is an overall assessment of the Hong Kong marketing environment. Based on Government's annual and monthly digest of statistics, we review two categories of data:

- **Population demographics**, such as age group size and growth rates, sex, education levels, population density and income levels and;

- **Economic performance**, including GDP changes, employment rate, consumer price index, and real interest rate.

At the end of this step, we would identify the population growth trends, forecast the domestic economic changes, and derive the demand for financial services and the potential market segments.

Review of the banking industry

By using the statistics from the publications of the Hong Kong Monetary Authority and the Hong Kong SAR Government, we analyze the changes in deposit and loan volumes and the financial performance of all banks. Moreover, we will identify the possible implications from the KPMG/Barents banking strategic review, which was initiated by the Hong Kong Monetary Authority.

From this analysis, we could identify Hong Kong banking industry trends and obtain performance benchmarks for later uses.

Review Hong Kong local banks financial performance

We limit our study to 13 listed local retail banks since they have disclosed our required financial data in their annual reports. By gathering their figures for the years from 1993 to 1997, we could compute and compare various financial ratios, and gain an overall picture of the productivity and effectiveness of these local banks.

Next, Branch network sizes of these 13 local banks and their respective financial performance are put together for analysis. By using correlation analysis, relationships between financial performance and branch network size would be determined.

After this step, we could determine trends for various local banks and select a representative one to perform a detail locational analysis.

Perform in-depth financial and locational analysis of the selected local bank and its distribution channels

We will undertake an in-depth analysis on a selected local bank. We will examine the financial performance of its branches, perform locational analysis, and review its delivery channel effectiveness.

Explore alternate product/service distribution channels

We would discuss and explore various distribution channels for financial services, including self-service terminals, Internet, home banking, etc. Selected Harvard Business Review articles and research working papers from other university will be reviewed here.

Determine consumer behavior towards different financial

product/services and channels

Essential characteristics and features of financial products and services are extracted. Then, consumer affect, cognition, and behavior toward various potential distribution channels are analyzed. Expected outcome of this step is a mapping of financial product/service and corresponding feasible distribution channels.

Recommend future distribution channel strategy for this local bank

Trends, insights, and results from the above steps are used to formulate the project recommendation. Retail mix, especially distribution channel, strategies and tactics are discussed here.

Predict competitor response to the recommended strategy

Probable general market development and competitors responses would be predicted. The dependent variables in maintaining market leadership will be discussed.

CHAPTER 3

SOCIAL - ECONOMIC REVIEW

Through the analysis of Government statistics on social and economic areas, we have identified the following market trends, conclusions and implications.

Population Demographics

Population Size

The population of Hong Kong is increasing. The population size increases from 5.58 million in 1987 to 6.68 million in June 1998. In other term, population size has grown 19.83% in last 10 years and the annual growth rate for this period is about 1.83%.

The population structure of 1997 indicated that the Male population has increased by 10% while the female has increased by 16.4%. The growth is not due to a high birth rate. In fact, the birth rate has decreased by 6.27% in the period. The main reasons for this growth are:

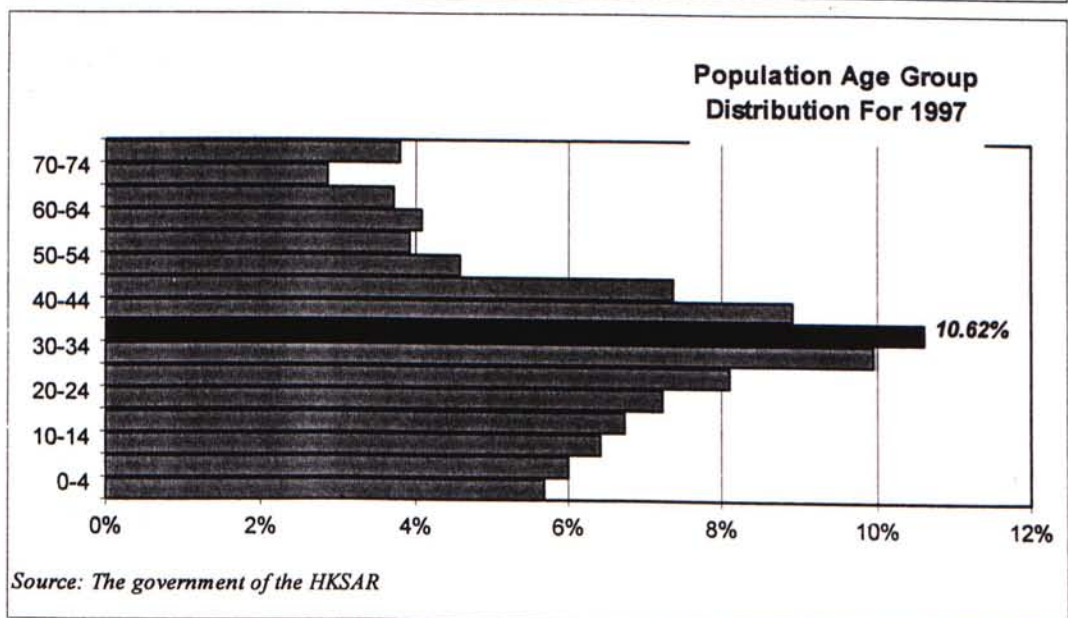
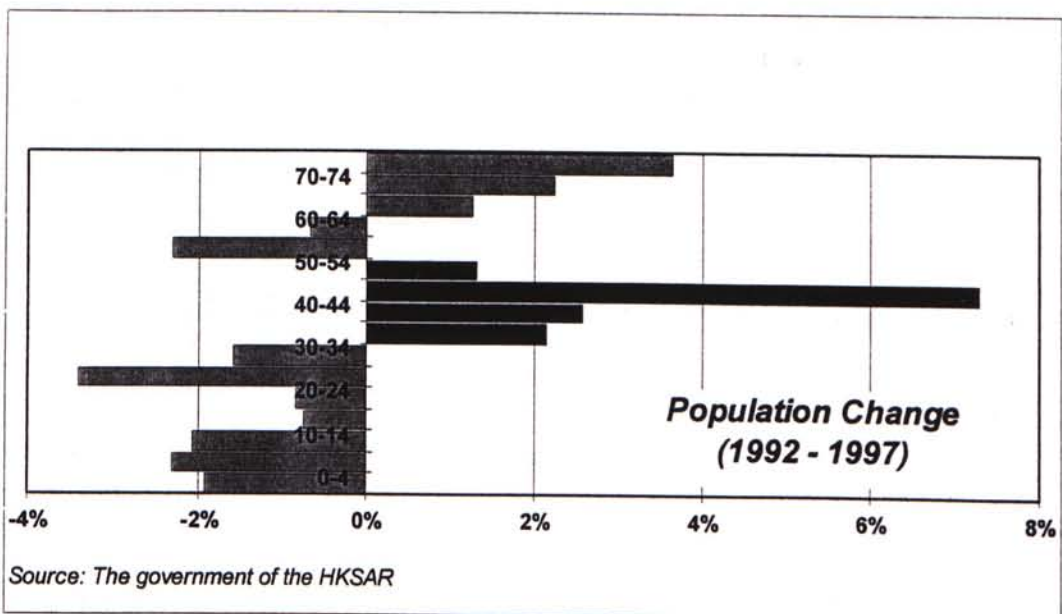
- (a) **Longer average longevity:** The average age for a new born baby in 1991 was 75.19 (male) and 80.69 (female) while that in 1996 was 76.26 (male) and 81.70 (female). It is predicted that in 2001, the age will further be increased to 76.94 (male) and 82.34 (female), and;
- (b) **Immigrants:** To a certain extent, the *immigrants* from other countries, such as Mainland China. Another group is “returned” immigrants who are those migrated to other countries and returned to Hong Kong. This is a political effect of the 1997 handover events.

Population Structure

The median age group has shifted upward from the age group of 25-29 in 1987 to the age group of 35-39 in 1996.

Further, by analyzing the growth rate for different age groups, we found that for the period of 1992 to 1997:

- (a) There was negative growth rates for the age groups of 0-34 and 55-64
- (b) There were positive growth rates for age groups 35-54
- (c) Significant growth rates was recorded for the age groups of 45-49



Other Population Qualities

Education level of Hong Kong people are improving. The percentage of population having tertiary educated increased from 9% in 1986 to 15.2% in 1997 following an increase in the number of tertiary education institutes from two to eight.

A consequence of improved education level is the increasing number of managers and professionals in the workforce. Percentage of these people increased from 23.2% in 1991 to 29.2% in 1996.

Implications from Population Demographics

The above population demographic analysis implies that:

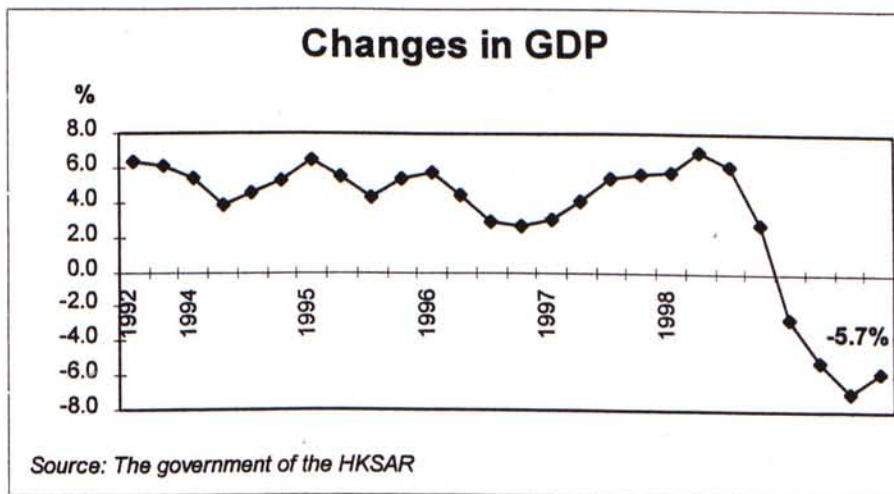
- (a) The customer base or the market for banking services is getting bigger and bigger as the population grows. Having more service delivery channels is one of the ways to capture this business opportunity.
- (b) Instead of targeting to the younger generation, as most of the Hong Kong business are doing, the population statistics told us that the winning bank should tailor its products and services to meet the needs of the people with ages between 35 and 54.
- (c) The improvement in the population's education level, especially at the tertiary level, is expected to continue with the government's emphasis on quality education. As a consequence, the number of professionals and managers will increase. They are the one who have the greater power to save and spend. Therefore, they form a potential market segment for retail banks.
- (d) For a typical person with the age of 35 or above and is tertiary educated, he/she is:

- Having at least 10 years of working experience and has already accumulated a certain amount of wealth, in terms of cash, property, and stocks, etc.
- A busy executive and considers high service quality and convenience as the important factors in selecting banking services.
- More acceptable to new banking technologies and delivery channels.

Economic Indicators

Gross Domestic Product and Personal Income

Subsequent to the Asia Financial Crisis, the Expenditure-based Gross Domestic Product (GDP) dropped sharply from about +5% in 1997 to -5.7% in Q4 of 1998.

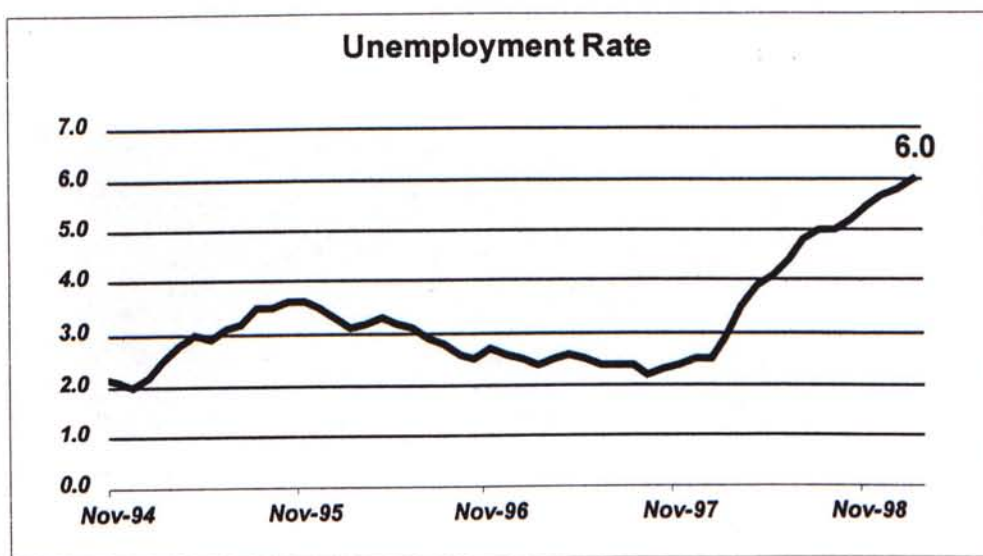


Personal income, which is highly correlated with GDP, had decreased from HK\$206,719 in 1997 to HK\$192,776 in 1998 as well.

It was forecasted by some investment banks that the GDP for 1999 and 2000 will be -0.5% and $+0.5\%$ respectively. In other words, the Hong Kong economy has just survived the worst scenario. However, recovery from the depression is yet to be started as we have a higher exchange rate. For the same reason, personal incomes in 1999 and 2000 are expected to be lesser than that of 1998 and slightly rebound from the 1999 level respectively. It is well-known that most of the Hong Kong companies have frozen the salary growth of their staff this year and some firms even reduced the payroll amount by about 15%.

Unemployment

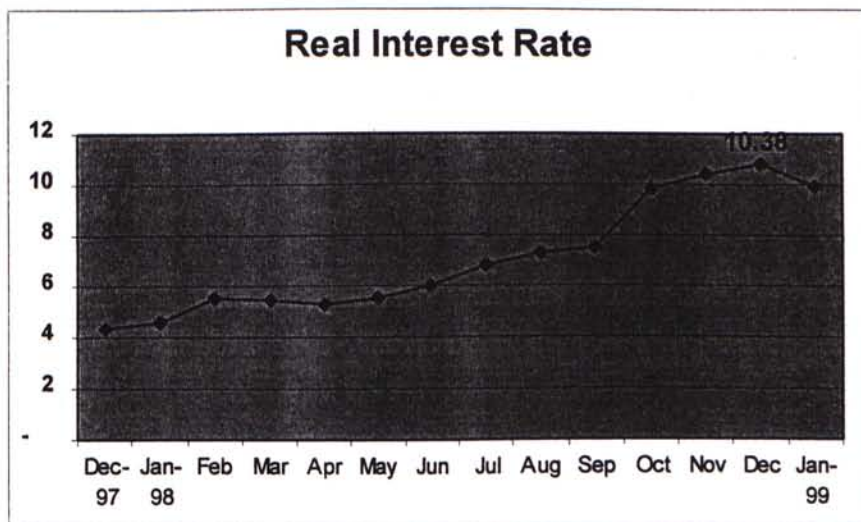
Whilst the total labor force has increased from 2.79 million in 1992 to 3.43 million in December 1998, the unemployment rate increased from 2.0% to 5.7% in the same period.



However, one should note that the unemployed were concentrated on the unskilled and average-educated work forces. As Hong Kong companies are re-engineering their cost structures to maintain competitiveness, the unemployment rate is expected to go up to a record high of 8% at the end of the year.

The Real Interest Rate

The real interest rate is defined as the nominal interest rate (the best lending rate) minus the consumer price index. Following the drops of the consumer price index from +8.4% on October 1995 to -1.1%, the real interest rate goes up from a negative value in the early 1990's to 10.38% on November 1998.



With such a high real interest rate, companies and individuals tend to reduce their borrowings and expenditures. Given the current US inflation and GDP figures, there is little room for US rate cut. The Hong Kong best lending rate would remain high in near future and hence, the real interest rate is expected to stay around 8% level based on the expected inflation of -1.5% in 1999 and +1.5% in 2000.

Implications from Economic Indicators

Based on the above analysis, we could deduce that:

(a) As people and firms are saving money rather than spending, the demand for deposit products would be greater than that for loans and advances.

(b) Banks will experience an increase in interest expenses (paying interest to depositors) and a decrease in interest income (receiving interest from borrowers).

Therefore, banks are required to better control their costs to remain profitable.

- (c) In the days of negative real interest rate, Hong Kong had an active and volatile property market. Property prices rose rapidly and attracted firms (including banks) to purchase shop floor for both branch network expansion and property investment reasons. It is because firms could revalue the properties and could use the asset appreciation to beautify their balance sheets. As the real interest rate became a high positive value, property market cooled down and banks should re-think the necessity and performance of the branches.

CHAPTER 4

REVIEW OF THE BANKING INDUSTRY

The Banking Industry of Hong Kong

Hong Kong is one of the largest international banking centres in terms of volume of external transactions. Hong Kong has one of the largest representation of international banks in the world, including 79 of the top 100 largest banks.

Before analyzing the industry performance, we have provided below some relevant background information.

The three-tier system

Hong Kong maintains a three-tier system of deposit-taking institutions, namely, licensed banks, restricted license banks and deposit-taking companies. They are collectively known as authorized institutions under the Banking Ordinance. Such

institutions operate in Hong Kong as either locally incorporated companies or branches of foreign banks.

Only licensed banks may operate current and savings accounts, and accept deposits of any size and maturity. Until recently, interest rates paid to depositors on all HK dollar deposits of less than \$500,000 and a maturity of less than fifteen months were governed by the Interest Rate Rules of the Hong Kong Association of Banks (HKAB) of which all banks must be members.

Restricted license banks are principally engaged in merchant banking and capital market activities. They may take call, notice or time deposits of any maturity and in amounts of \$500,000 and above.

Deposit-taking companies are mostly owned by or otherwise associated with banks and engage in a range of specialized activities, including consumer finance, trade finance or securities business. These companies are restricted to taking deposits of \$100,000 or above with an original term to maturity of at least three months.

At end-November 1998, there were 174 licensed banks, 62 restricted license banks and 105 deposit-taking companies in Hong Kong. Together they operate a comprehensive network of 1,586 local branches. Of these 341 authorized institutions, 308 are beneficially owned by interests from over 30 countries. There were also 143 local representative offices at end-November 1998.

The Interest Rate Rules

The Interest Rate Rules, established since 1964, were liberalised in 1994/95. On 1 October 1994, HKAB removed the interest rate cap on HK dollar time deposits fixed for more than one month as the first step of a phased liberalisation program.

On 3 January 1995, the interest rate cap on all time deposits fixed for more than seven days were abolished. In the final stage, HKAB removed the cap on all time deposits fixed for seven days or with a call or notice period of seven days in November 1995.

The Interest Rate Rules now therefore only apply to current accounts, savings accounts and time deposits with a maturity or call period below seven days. This makes the retail banking market in Hong Kong becoming much more competitive.

The Hong Kong Monetary Authority

The Hong Kong Monetary Authority (HKMA) was established on 1 April 1993 - by merging the Office of the Exchange Fund with the Office of the Commissioner of Banking.

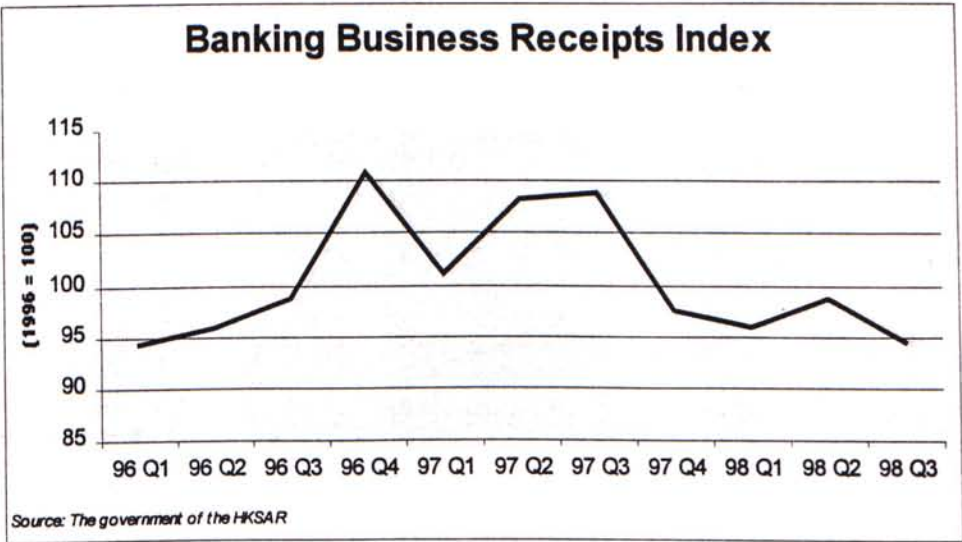
This was done to ensure that the central banking functions of maintaining monetary and banking stability are performed with a high degree of professionalism

and continuity, in the lead-up to 1997 and beyond, in a manner that commands the confidence of the people of Hong Kong and the international financial community.

The Banking Industry Performance

The Banking Business Receipt

As with other business sectors of Hong Kong, the banking industry is also experiencing a sharp drop in profit as revealed in the banking business receipt statistics.

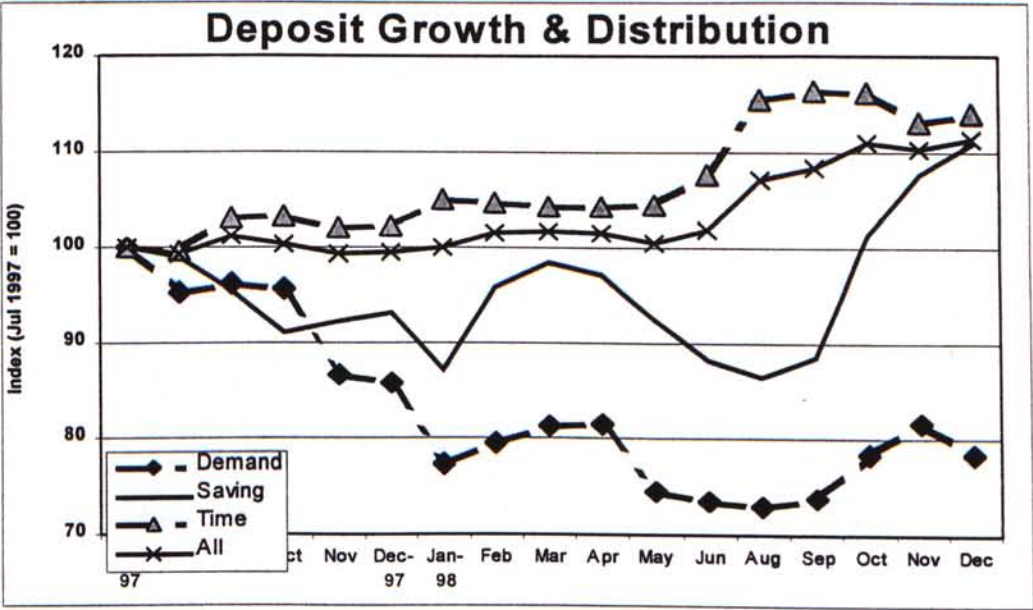


Taking the 1996 level of receipts as 100, the banking industry had peaked its performance in fourth quarter of 1996 with an index of 110.9 and was on a downtrend with the latest index of 94.5 in the thrid quarter of 1998.

This decline was mainly due to the increase of interest paid to depositors (especially time deposits), reduced loan volume, and rapid growth of bad debt provisions and write-offs.

Deposit Growth and Distribution

Generally speaking, three types of deposit account are offered by banks in Hong Kong, namely, demand deposit, saving account deposit, and time deposit. Time deposit has a higher interest rate than the saving account deposits and there is no interest for demand deposit accounts.

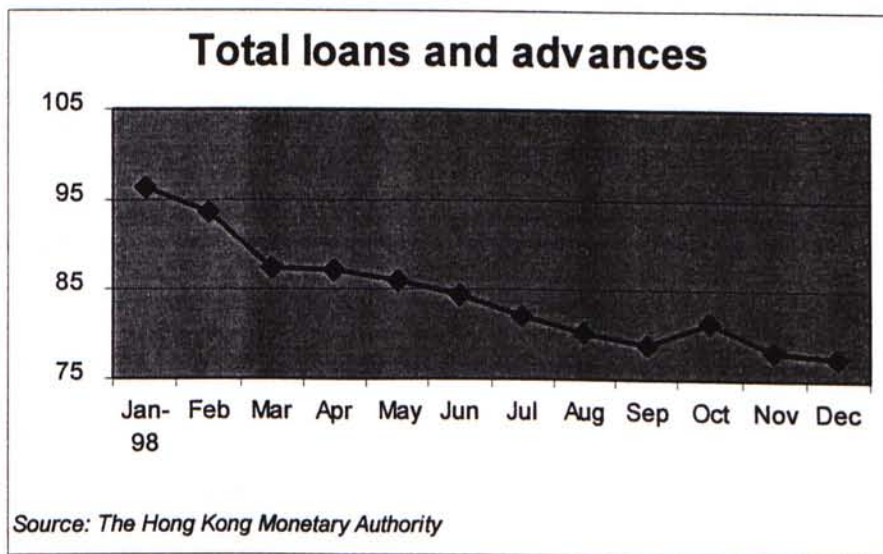


From the HKMA statistics of all bank customer deposits, we could see that the total deposit growth by 11.3% from July 1997 to December 1998. However, growth rates for the three types of deposit differs. Time deposit and saving account deposit had increased by 14% and 10.8% respectively but demand deposit had dropped by 18%.

When collating with the increase in unemployment and the decrease in personal income, these figures confirmed our view that people are rather saving money than spending it.

Total Loans and Advances

The HKMA also provides the statistics of all bank loans and advances available for use in Hong Kong. From the period from July 1997 to December 1998, the total loans and advances have reduced by 22.4%. This was mainly due to the reluctance of banks to make new loans to control the bad debt provision in view of the unfavourable property market and economic condition.

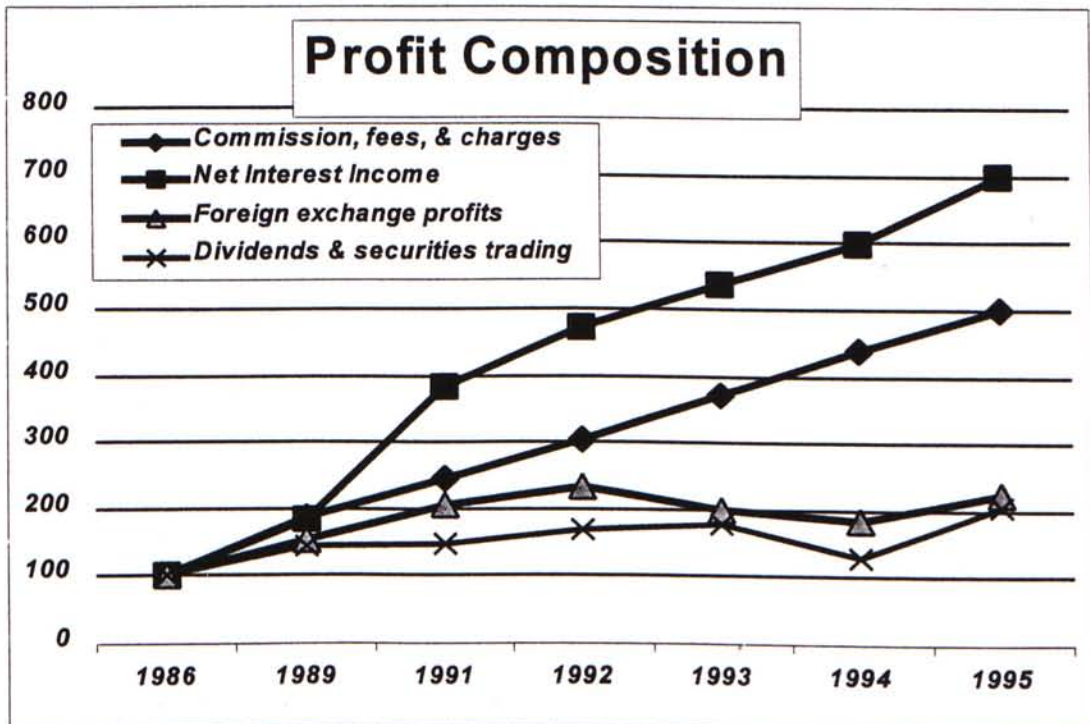


Income Composition of Banks

Having learnt the trends of total deposits and total loans, we now look more closely where the banks earn their income.

There are 4 main sources of bank revenue:

- Net interest income
- Commission, fees, and charges
- Foreign exchange profits
- Dividends and security trading profits



There is government statistics of the income composition of all banks in Hong Kong. Although the latest figures are for 1995, they are useful for us to understand what the banks are doing.

In the ten years period of 1986 – 1995, interest income was the main source of bank revenue. In the last 5 years, it accounted for more than 60% of the total revenue. The second main income was the commissions, fees, and charges which accounted for about 13% of the total revenue throughout the 10 years period.

When we look at the latest profit and loss accounts for the locally listed banks, these two incomes are still the main sources of revenues.

Cost Structure of Banks

There are 5 categories of cost for the banks in Hong Kong:

- Payroll
- Rent
- Stationery and supplies
- Marketing
- Others

The government statistics indicated that payroll was the major operating cost of all licensed banks and took up about 20% of the total revenue. All the other cost elements occupied about 4% of the total income.

Cost/Total Income Ratio	1986	1989	1991	1992	1993	1994	1995
<i>Payroll</i>	27.5%	23.4%	19.4%	18.4%	18.3%	19.8%	19.0%
<i>Rent</i>	7.6%	5.4%	4.8%	4.3%	4.3%	4.6%	4.4%
<i>Stationary & Supplies</i>	2.2%	1.7%	1.2%	1.1%	1.0%	1.1%	1.0%
<i>Marketing</i>	3.5%	3.2%	2.7%	2.5%	2.6%	2.8%	2.8%
<i>Others</i>	5.8%	4.4%	4.0%	3.7%	3.5%	4.2%	4.6%

Implications from Analysis of Banking Industry Performance

We could deduce the following implications from the above analysis:

- (a) As the real interest rate remains high in the near future, the demand for loans and advances would continue to decrease. Banks should reduce their over-reliance on interest income and should develop new products and services which generate additional income.
- (b) Another method to increase net profit is the reduction of operating costs. Banks should allocate their human resources to the high profit generating activities and deploy technologies to offer low value added services. In other words, use personal service for high margin products and use automation to reduce cost for general less profitable products.

The Banking Strategic Review

The HKMA commissioned a study of the Hong Kong banking sector to assist in developing an appropriate strategy to effectively supervise and regulate the sector as changes occur during the next five years. Specifically, the purpose of the study was to conduct a strategic review of the banking sector in Hong Kong and analyze current and future competitive pressures expected during the next five years, in order to assess the sector's ability to compete effectively in this market.

In December 1998, the strategic review report was published with numerous recommendations were formulated. Among these recommendations, the following three items are found to have long-term impact to the banks in Hong Kong:

Simplification of the three-tier banking system to a two-tier one

The three tier system of licensed bank, restricted licensed bank, and deposit taking company will be changed to a two tier system which consisted of licensed bank and restricted licensed bank. This two tier system would provide a framework that allows both a flexible means of entry to the banking market for new overseas participants.

Relaxation of one building condition for foreign banks

The one-building condition restricting certain foreign banks to operate within a fixed number of buildings. With the rapid development of electronic delivery channels, foreign banks need not to offer their products and services through physical contact. The HKMA was recommended to consider phasing the relaxation of this policy to allow foreign branch banks (and foreign branch RLBs) to operate no more than three branches.

Total deregulation of interest rate rules

The report recommended a stage deregulation of the remaining rules on the three separate types of accounts or deposits (i.e. current accounts, savings accounts and time deposits up to 6-days) around the year 2000:

- Stage 1* – remove interest rate restrictions on time deposits with a maturity of 24-hours up to 6-days;
- Stage 2* – allow interest to be paid on current accounts up to an agreed interest rate cap; and
- Stage 3* – remove all remaining interest rate restrictions.

Implications from the Banking Strategic Review

All these strategic recommendations are aimed to increase competition in the local banking industry. The resultant force is to make banks becoming more cost effective, but in the process of successful transformation, banks will experience:

- (a) Reduction of the interest rate margin.

According to the strategic review report, there are 4 scenarios of interest rate rule deregulation. However, all cases lead to a reduction of interest rate margin.

	Actual data for 1997	Deregulation of savings accounts		Deregulation of current accounts	Full deregulation
	Base case	Case 1	Case 2	Case 3	Case 4
<i>Effective interest rates on:</i>					
Current accounts	0.00%	0.00%	0.00%	4.13%	5.68%
Savings accounts	4.13%	4.71%	5.68%	4.13%	5.68%
<i>Total interest expense (HK\$million)</i>	175,729	176,817	181,167	180,195	187,310
<i>Increase in interest expense (HK\$million)</i>	–	1,088	5,438	4,466	11,581
<i>Net interest margins:¹</i>					
Local banks	2.51%	2.42%	2.28%	2.32%	2.02%
Foreign banks	1.13%	1.10%	1.04%	1.06%	0.94%
<i>Both local and foreign</i>					
Decrease in net interest	1.66%	1.63%	1.51%	1.54%	1.35%
<i>Margin for local banks:</i>					
% reduction	–	3.6%	9.2%	7.6%	19.5%
Basis point reduction	–	9bp	23bp	19bp	49bp

Note: ¹ Net interest margins = net interest income divided by average interest earning assets

Source: KPMG/Barents analysis

- (b) The relaxation of one building condition and allowing certain foreign banks to open up to three branches without meeting stringent requirements would increase branch density in Hong Kong. The local banks should start to re-think their branch distribution strategies. As Hong Kong is now an integral part of China, foreign banks have an additional incentive to open branches in Hong Kong as a stepping stone to enter the China market.

CHAPTER 5

REVIEW ON HONG KONG LOCAL BANKS FINANCIAL PERFORMANCE

In this chapter, we have selected 13 local listed retail banks and have analyzed their financial statements for the last 5 years from 1993 to 1997 inclusive.

The Asset Size and Profit

By using the figures listed out in the 1997 balance sheets of the 13 listed banks, we have a overall picture of their relative sizes and profitability as depicted in the following tables.

Local Bank Ranking by 1997 Asset Size (in HK\$'000)		
Rank	Bank Name	Asset Size
1	Hang Seng Bank	396,675,000
2	Bank of East Asia	133,592,064
3	Dao Hang Bank	125,485,256
4	Wing Lung Bank	49,399,531
5	Wing Hang Bank	47,394,996
6	Dah Sing Bank	40,219,074
7	Ka Wah Bank	34,544,906
8	International Bank of Asia	32,552,654
9	Liu Chong Hing Bank	31,938,327
10	First Pacific Bank	31,008,160
11	Hong Kong Chinese Bank	30,559,000
12	Kwong On Bank	29,286,640
13	Union Bank	21,435,918

From the ranking table, we could observe that there is a significant difference in the asset sizes between the top three banks and the remaining ones. For the purpose of our analysis, we classify the Hang Seng Bank, Bank of East Asia, and the Dao Hang Bank as *large bank* while the remaining banks were collectively called *Medium-to-small Banks*.

As the interest income and expenses of banks are just analogous to the sale revenue and cost of good sold in a typical trading firm, the term Earnings Before Interest, Tax, Depreciation and Amortization (EDITDA) was used here with modified meaning. The interest income and interest expense figures was excluded from the definition of interest term in EDITDA. The same pattern similar to the asset size was observed in the EBITDA ranking of the 13 listed retail banks.

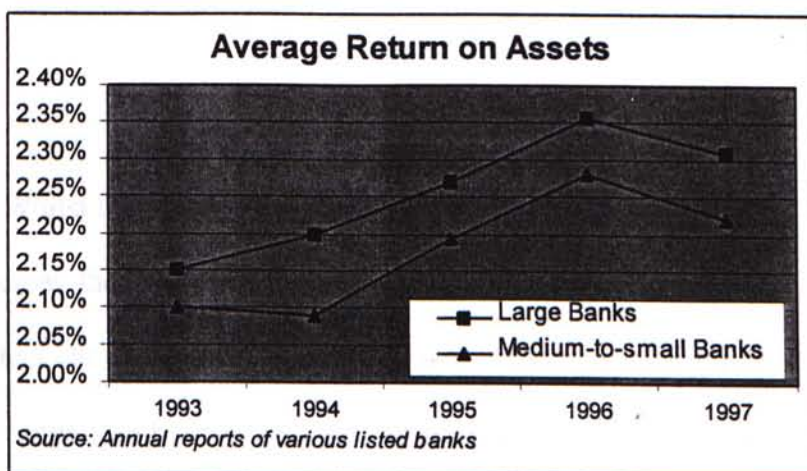
Local Bank Ranking by 1997 EBITDA (in HK\$'000)		
Rank	Bank Name	EBITDA
Large Banks		
1	Hang Seng Bank	11,196,000
2	Bank of East Asia	2,860,940
3	Dao Hang Bank	2,464,129
Medium to Small Banks		
4	Wing Hang Bank	1,267,581
5	Wing Lung Bank	1,179,363
6	Liu Chong Hing Bank	871,337
7	Dah Sing Bank	795,134
8	Ka Wah Bank	791,221
9	Kwong On Bank	667,097
10	International Bank of Asia	567,225
11	First Pacific Bank	567,196
12	Union Bank	486,518
13	Hong Kong Chinese Bank	465,137

Financial Performance

In this section, the return on assets, return on equity, and profit margin of the two groups of banks were calculated and discussed.

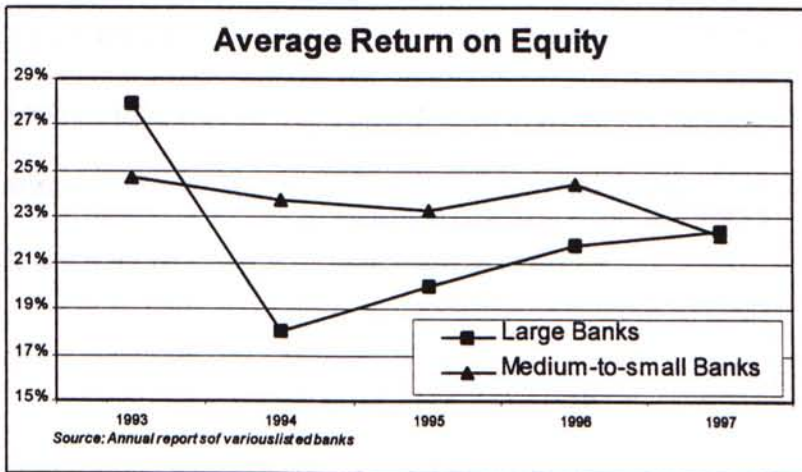
Return on Assets (ROA)

Consistent with the pattern of the banking business receipts statistics, the ROAs of both large and medium-to-small banks had reached their peaks in 1996 and was now on the downward trend. The decreasing return on the assets, in terms of cash, credit, and customer borrowings, was mainly due to increasing competition among banks on the same product categories, such as mortgage, credit cards, and time deposits, after the deregulation of interest rate rule starting on 1996.



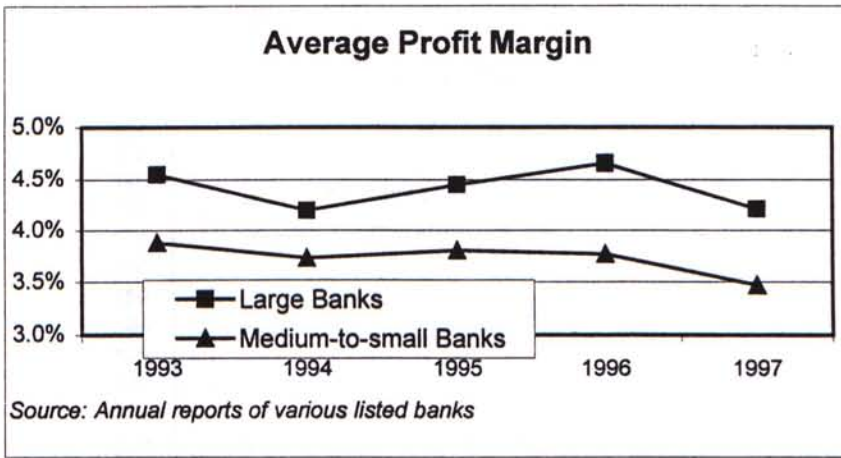
Return on Equity (ROE)

After the drop of ROE in the 1994, the large banks were working to better manage their financial resources leading to a continued improvement on the ROEs. On the other hand, the medium-to-small banks were having a slightly declining trend for the ROE as some medium-to-small banks raised funds through new share issuing. Nevertheless, they were using their funds ineffectively.



Profit Margin

Whilst the average profit margins of the two classes of banks showed a similar trend across the years, the large banks were having a better profit margin over the years than those medium-to-small banks. Stronger customer confidence, broader service ranges, and better economy of scale in larger banks accounted for the gap in the average profit margin between the two groups.

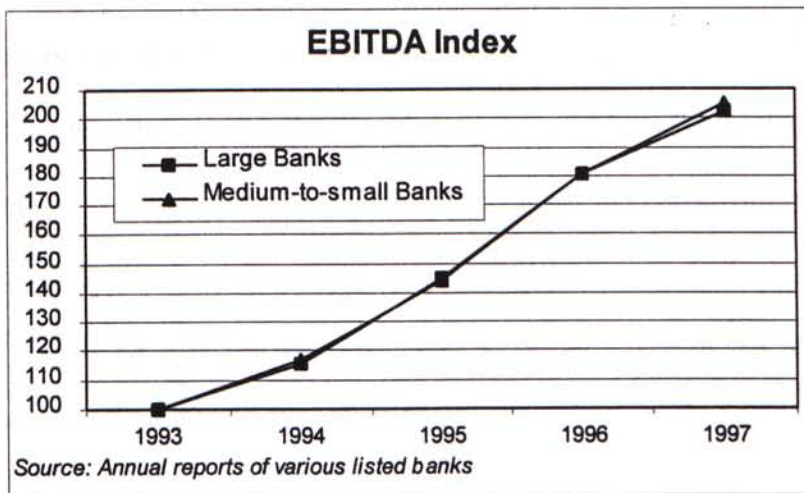


Besides, the low price strategy adopted by most of the medium-to-small banks was the other reason. For instance, in the competition of credit card business, the smaller banks offered annual fee waivers, free gifts, and even lower annual interest rate to attract more customer to increase their card bases, disregarding these new cardholders would not used the credit cards afterwards.

EBITDA Growth

From the profit margin analysis, one may infer that large banks were having stronger growth than their competitors. However, closer examination of the EBITDA growth told us the contrary. Taking the EBITDA in 1993 as 100, we calculated the profit growth for the two groups of banks and put them on following chart.

As shown in the following graph, the two groups of banks were having nearly identical growth with the medium-to-small banks slightly outperform the larger counterpart.



Taking into consideration the profit margin differences, we could infer that medium-to-small banks had placed their emphasis on loan and transaction volume in recent years. This was confirmed by their relatively larger provision for doubtful debt figures for the year of 1998.

Correlation analysis on bank performance

We have performed the following two correlation analysis on branch network size and bank performance indicators, such as deposit volume, loan volume, and EBITDA, to provide an answer the following question:

- *Will continued branch network expansion improve bank performance?*

For each local bank, the trend of the branch network size and bank performance were correlated and compared to unveil the long-term effects of branch network expansion strategy. On the other hand, one could argue that the bank

performance is strongly affected by the economic climate and branch network expansion is the result of strong financial performance. Therefore, we will also calculate the correlation of various performance variables with the GDP as the control parameter.

Further, the analysis is extended to cover all banks in the last 5 years. The correlation coefficients of branch network sizes and bank performances in each financial year are calculated and the resultant trends are examined.

▪ The figures

Since some banks have not listed out their branch network sizes in their annual reports, we used only those banks/financial years having complete branch network size information in the calculation.

Bank Name	Correlation Coefficient of ...			
	Branch network size and EBITDA	Branch network size and Deposit	GDP and EBITDA	GDP and Deposit
Bank of East Asia	0.9208	0.9207	0.9843	0.9937
Dao Hang Bank	0.8996	0.8949	0.9847	0.9713
Wing Hang Bank	0.9320	0.9241	0.9853	0.9907
Wing Lung Bank	0.9752	0.9654	0.9790	0.9737
Liu Chong Hing Bank	0.7136	0.6292	0.9953	0.9865
Dah Sing Bank	-0.5471	-0.7568	0.9345	0.9715
Ka Wah Bank	0.8854	0.9022	0.9398	0.9593
Kwong On Bank	0.8068	0.7357	0.9548	0.8497
International Bank of Asia	0.9405	0.9866	0.9866	0.9940
First Pacific Bank	0.8418	0.8938	0.9413	0.9628
Union Bank	0.9373	0.9608	0.9956	0.9236

The above table listed the correlation coefficients of branch network size and the financial performance indicators (net profit, total deposits, and total loans) of the selected bank for the last 5 years. Although most of the coefficients indicated a strong positive relationship between branch network sizes and other financial figures, those of Dah Sing Bank gave us the opposite meaning. The Dah Sing Bank had managed to grow the business while keeping the branch network size unchanged at 44 for the last 4 years. In addition, the best performing bank, Wing Hang Bank, has only 26 branches when compared with the next five less performing banks which have more than 30 branches each.

On the other hand, there was consistent and strong direct relationship between GDP and the financial performance indicators. However, this external environment should have similar effect to all the banks.

Therefore, we conclude that there may be a direct positive relationship between the number of branches and the financial performance for traditional mode of retail banking. However, there must be a better way to increase business and improve performance without using the branch network expansion strategy.

Implications

We could obtain the following implications from the financial and operational performance analysis.

- (a) With a decreasing demand for loans and advances, medium-to-small banks should place their focus on increasing the profit margin, not on further increasing the business volume.
- (b) As there was no direct cause and effect relationship between branch network size and financial performance, all banks should reassess the business value of each branch and consider re-locating branches strategically.

Target selection

In the remaining chapters, we had selected the *Wing Hang Bank* as our targeting bank for the following reasons:

- The bank has an branch network size of 26 covering the major districts of Hong Kong
- It has the highest reported profit amongst the medium-to-small size bank.

CHAPTER 6

LOCATIONAL ANALYSIS OF BRANCH DISTRIBUTION FOR THE WING HANG BANK

In this chapter, we will undertake an in-depth analysis on our study target, the Wing Hang Bank. We will examine their financial performance of its branches, perform a brief locational analysis for the branch network, and review the effectiveness of its delivery channels.

First of all, we have provided below some background information relating to the Wing Hang Bank, Limited.

Company Background

Wing Hang Bank was first founded in 1937 in Guangzhou by the late Mr. Y. K. Fung to carry on business as a money changer. After the Second World War, the Bank re-established itself in Hong Kong with a staff of 19. Following a period of sustained growth, the Company was granted a banking license in 1960. In 1977, in

order to provide additional space for its operations, the Bank redeveloped its head office into the present 20-storey Head Office Building.

In January 1973, the Irving Trust Company of New York purchased a majority interest in the Bank. Through this affiliation, the Bank gained access to state-of-the-art technology, expertise in international banking and a firm foundation for further growth. In 1988, Irving Trust Company merged with The Bank of New York Group to become the tenth largest bank in the U.S.

In July 1993, Wing Hang Bank was publicly listed on The Stock Exchange of Hong Kong Limited. The Group's total assets were HK\$46.5 billion at the 1997 interim result. Wing Hang Bank is the holding company and the principal operating company of the Group.

The principal activities of the Group in Hong Kong and Macau are retail banking, corporate banking, and foreign exchange and treasury services. Wing Hang Bank now has over 40 branches in Hong Kong, Macau and China. In addition through its subsidiaries, the Bank provides nominee, deposit taking, offshore banking, hire purchase, consumer financing, insurance underwriting, insurance agency and broking and share brokerage services.

The Branch Network

The Wing Hang Bank has 26 branches in the Hong Kong SAR. The names and addresses of the branches were given below.

List of Wing Hang Bank Branches and Addresses

Hong Kong Inland

Causeway Bay	82 Percival Street
Central	B2 New Henry House, 10 Ice House Street
Gold & Silver Exchange	1/F, 12-18 Mercer Street
Johnston Road	150 Johnston Road
North Point	431 King's Road
Shaukeiwan	Perfect Mount Gardens, 1 Po Man Street
Wanchai	359 Hennessy Road
Western	139-141 Des Voeux Road West

Kowloon

Castle Peak Road	Shop 2, 253-259 Castle Peak Road, Cheung Sha Wan
Cheung Sha Wan	T-301, 1/F., Administration Block, Cheung Sha Wan Wholesale Food Market
Hunghom	104-106 Ma Tau Wai Road
Jordan Road	32 Jordan Road
Kowloon City	37 Nga Tsin Wai Road
Kwun Tong	22-24 Fu Yan Street
Mongkok Road	16 Mongkok Road
San Po Kong	51 Hong Keung Street
Shamshuipo	57 Cheung Sha Wan Road
Tai Kok Tsui	51-67 Tung Chau Street
Tokwawan	237A Tokwawan Road
Tsimshatsui	71 Granville Road
Yaumati	507 Nathan Road

New Territories

Kwai Chung	Kwai Chung Centre, 100 Kwai Hing Road
Tai Wai	32-34 Tai Wai Road, Shatin
Tai Po	Shop F, 12-26 Tai Wing Lane, Tai Po
Tsuen Wan	35 Chung On Street
Yuen Long	62 Castle Peak Road

Financial Performance of Branches

By ranking the branch performance figures from the period of January 1997 to August 1998, we have the several general observations.

Branch ranking by total deposit volume

About 40% of the total branch deposit was concentrated in the 5 branches, namely, Central, Yaumati, Mongkok Road, Tsimshatsui, and Causeway bay. All of these branches were located in busy commercial district with high population density.

Branch Name	% of Total Branch Deposit
Central	16.9%
Yaumati	6.9%
Mongkok Road	5.3%
Tsimshatsui	5.2%
Causeway Bay	4.9%

Branch ranking by net interest margin

Without contrary to our common sense, the higher net interest margin (average loan interest rate – average deposit interest rate) were recorded for branches with minimal or even no competition from other banks around. For example, the Cheung Sha Wan branch and Gold & Silver branch were having no competitors around. However, their superior returns were offsetted by inferior deposit and loan volumes.

Branch Name	Net Interest Margin	Total Deposit Ranking	Total Loan Ranking
Cheung Sha Wan	3.14	26 (0.9%)	24 (1.5%)
Gold & Silver	3.02	20 (2.1%)	22 (2.2%)
Taikoktsui	2.69	18 (2.4%)	17 (3.1%)
Wanchai	2.40	11 (3.6%)	19 (3.0%)
Shaukiwan	2.34	13 (3.3%)	13 (3.5%)

Branch Ranking by Total Loan Volume

When ranking branches by total loan volume, we found that the top 8 branches covered about 50% of the total loan volume of all branches. All these branches were located in busy commercial areas except the Yuen Long branch. The rapid development of the property market in Yuen Long district in recent years increased the mortgage loan volume of that branch and accounted for the larger-than-expected loan volume.

Branch Name	% of Total Loan Volume
Central	9.6%
Kwai Chung	7.7%
Causeway Bay	5.8%
North Point	5.6%
Shamshuipo	5.6%
Mongkok Road	5.5%
Tsimshatsui	5.0%
Yuen Long	4.6%

Locational Analysis

It could be concluded from the above section that the location of a branch is critical to the core business of that branch and the subsequent performance. In this

section, we have performed a brief analysis on the relationship between the branch performance and its surrounding environment. We used the figures of deposit growth, deposit volume, loan growth, loan volume, net interest margin, and gross profit as the measure of a branch performance. For the environmental factors, we used factors such as the day time population size of the district where the branch located, the number of visible competitors surrounding the branch, and the period the branch has been serving the area.

Instead of applying directly the government statistics of residential population from the *1996 Population By-census*, we calculated a daytime population figure that could reflect the number of people actually staying in that district in the branch opening hours. This figure is computed by: Population working in the district + Population living in the district – population both working and living in the district.

	Net Interest Margin	Deposit Interest Rate	Loan Interest Rate	Total Deposit	Total Loan	Gross Profit
Days Operated	0.35	-0.16	0.47	0.13	0.27	0.36
Competitors Around	-0.41	0.50	-0.31	0.26	0.09	0.06
Day time Population	0.14	-0.05	-0.21	0.15	0.27	0.24

The above table showed the results of this correlation analysis from which we have the following interpretations.

Branch History in Its Serving Area

This is the number of days between August 31, 1998 (the date of our branch performance data) and the date of branch establishment. The correlation analysis revealed that the longer the branch has been operating in that district, the higher the loan interest rate, the lower the deposit interest rate, the larger the loan and deposit volume, and hence the better the net interest margin and gross profit. This is because the level of customer awareness and confidence toward the bank accumulates with the passage of time. Besides, increasing customer contacts with the branch during marketing promotion build up social relationships between branch staff and customers could explain the phenomenon.

Competitors around

It is obvious that the greater the number of competitors operating nearby the branch, the higher the deposit interest rate and the lower the loan interest rate in order to attract customers. However, the relationship between the other performance indicators and the competitors around were not trivial. It was well perceived among depositors that the deposit interest rate, especially time deposit rate, offered by Wing Hang Bank is the second highest in the market. Therefore, the deposit volume is not adversely affected by the number of competitors around, but depends on the deposit interest rate.

For the loan volume, it depends on the performance of the branch manager, who maintains and establishes relationships with borrowers and companies located in not only within the district but also other parts of Hong Kong. Hence, there is a weak relationship between loan volume, gross profit and the number of competitors around except the case when there is no competitor around.

Day Time Population

As there was no consistent connection between the two interest rates and the daytime population, we focus our discussion to the relationship of business volumes and the daytime population.

Although there are self-service banking branches operating 24 hours a day, people are used to perform most of their deposit and borrowing transactions at branch. A typical Wing Hang Bank branch runs 8 hours a day from 9:00 a.m. to 5:00 p.m. Therefore, the larger the population staying in a district during these hours, the more the deposit and loan transactions will be handled by that branch.

Transaction Analysis

In the previous two sections, we have evaluated the locational performance and external environment of branches of Wing Hang Bank. In this section, we will review the transactions that are performing in various distribution channels of the

bank, such as ATMs, phone, and branch, and analyze the utilization of these distribution channels.

Transactions at Branch

Branch, as a distribution channel, offers the total ranges of banking products/services. It is the branch staff, not dedicated machines as in the case of ATMs and phone banking, providing the flexibility. Among the various transactions available at branches, the following 6 items accounted for more than 80% of the total branch transaction volume on June 1998.

Transaction Nature	% Total
Cheque Withdrawal	31.7%
Cash Deposit	20.8%
Transfer Deposit	10.6%
Cash Withdrawal	8.9%
Transfer Withdrawal	8.0%
Cheque Deposit	7.3%

Note that these transactions are more related to the cash and cheques where people, including you and me, are more concerned with the accuracy and timeliness of updating these valuables on the bank’s record. In addition, transactions like cheque withdrawal would be processed by other means such as ATMs or phone.

Transactions on ATMs

There are fewer transactions available in an Automated Teller Machine (ATM) than a full-scale branch. The usage statistics of ATMs by Wing Hang Bank customers is depicted below.

Transaction Type	Counts	At Other Bank's ATM	At Own ATM	% of Total
Cash Withdrawal	66,381	61,250	5,131	50.16%
Balance Inquiry	60,115	53,237	6,878	45.42%
Account Transfer	4,934	4,266	668	3.73%
PIN Change	838	584	254	0.63%
Cheque Book Request	63	55	8	0.05%
Statement Request	17	17	-	0.01%

The cash withdrawal and balance inquiry transactions accounted for more than 95% of the ATM usage. In other words, ATM is being treated as a cash obtaining and balance inquiry machine in the eyes of a Wing Hang bank customer.

Not all Wing Hang Bank branches have an ATM installed. In order to attract more deposit customers, the bank has jointed a joint electronic teller machine consortium (JETCO) such that the bank customer could access his/her bank account through the ATM terminal of other member banks. However, there is a transaction fee charged by the ATM owner bank to the ATM card issuer bank whenever a Wing Hang Bank customer perform a banking transaction at other member bank's ATM, Wing Hang is required to pay about HK\$3 to that ATM owner bank per transaction.

The two columns “at other bank’s ATM” and “at own ATM” in the table above showed the situation described. Wing Hang Bank is at an adverse condition since majority of its ATM transactions were performed at the ATM of others and this represents a cost-cutting opportunity.

Transactions on Phone

Phone banking provides more transaction types than that of ATMs but still far less than a branch. The table below listed all transactions available in the Wing Hang Bank phone banking service.

Transaction Type	Personal	Company	Total	% Total
Exchange Rate Enquiry	67,626	941	68,567	42.23%
Balance Enquiry	38,330	13,331	51,661	31.82%
Interest Rate Enquiry	21,767	233	22,000	13.55%
A/C transfer	13,764	1,724	15,488	9.54%
Gold Rate Enquiry	1,914	17	1,931	1.19%
Paid Cheque Enquiry	182	820	1,002	0.62%
Nominated A/C Transfer	740	81	821	0.51%
Card Enquiry	337	-	337	0.21%
Card Payment	235	-	235	0.14%
PIN Change	118	20	138	0.08%
Cheque Book Request	50	13	63	0.04%
Order Enquiry	37	-	37	0.02%
Statement Enquiry	22	15	37	0.02%
Place Order	27	-	27	0.02%
Revoke Order	16	-	16	0.01%
Stop Cheque	-	10	10	0.01%
Total Volume	145,165	17,205	162,370	100.00%

The top 4 transactions, exchange rate inquiry, balance inquiry, interest rate inquiry and account transfer accounted for more than 92% of the total transaction volume. Although termed “account transfer”, this transaction includes purchase/sales of foreign currencies (transfer to/from account of different currencies), and creation/withdrawal of time deposits (transfer to/from time deposit accounts and other accounts). We can infer that Wing Hang customers use this delivery channel to managing their deposit portfolios (foreign currencies and time deposits).

Channel Utilization

After combining the transaction statistics with equivalent transaction nature from the existing 3 channels, we have the following channel utilization table.

Delivery Channels Transaction Summary			
Transaction Type	Branch	ATM	Phone
Account Close	100.0%	N/A	N/A
Balance Enquiry	0.0%	53.8%	46.2%
Card Enquiry	0.0%	0.0%	100.0%
Card Payment	99.1%	0.0%	0.9%
Cheque Book Request	0.0%	50.0%	50.0%
Deposit	100.0%	0.0%	N/A
Exchange Rate Enquiry	N/A	N/A	100.0%
Gold Rate Enquiry	N/A	N/A	100.0%
Interest Rate Enquiry	N/A	N/A	100.0%
Order Enquiry	N/A	N/A	100.0%
Paid Cheque Enquiry	N/A	N/A	100.0%

Passbook Printing	100.0%	N/A	N/A
Pin Change	N/A	85.9%	14.1%
Place Order	N/A	N/A	100.0%
Revoke Order	N/A	N/A	100.0%
Statement Request	N/A	31.5%	68.5%
Stop Cheque	95.5%	0.0%	4.5%
Transfer	86.3%	3.2%	10.5%
Withdrawal	75.6%	24.4%	0.0%

Note: N/A means the transaction is not available on that channel or the statistics are not recorded for that transaction.

The bolded number highlighted the dominant channel delivering that transaction type and this can be inferred as the customer's preferred transaction medium.

As a conclusion, the nature of a branch and the corresponding location is different from the traditional mode of all functions and products in all branches everywhere in Hong Kong.

CHAPTER 7

ALTERNATIVE PRODUCT/SERVICE DISTRIBUTION CHANNELS

In Chapter 6, we have briefly touched on two channels other than branches, that is ATM and phone. In this chapter, we will back into the trend of the most promising non-branch channels in Hong Kong.

Banking service industry

The financial service industry in Hong Kong is transforming itself in an unpredictable and after contradictory way. At the same time that Nanyang Commercial Bank has spinned off its credit card business, Bank of China Group has put together all the China-based banks and associated financial functions. While Dah Sing Bank has broadened its product line considerably, Belgian Bank has narrowed its focus primarily to servicing small enterprise (almost no retail banking).

Why is the financial services landscape changing so much? Increased competition from nontraditional institutions, new information technologies and declining processing costs, the erosion of product and geographic boundaries, and less restrictive governmental regulations have all played a role. But this now familiar list of factors provides neither a framework for understanding the changes under way nor a way to think about how the future might evolve. What does provide such a framework, we believe, is a functional view of the different product and service distribution channels.

In the following sections, we shall review the following retail delivery systems:

- Self service terminals
- Telephone banking
- Home banking
- Internet banking
- Video Kiosk

Self service terminal

There are four types of self service terminals in Hong Kong, namely, automatic teller machine (ATM), account balance enquiry machine, cash deposit machine and account booking updating machine.

Unlike the other three types of self-service terminals which usually associate with a branch, ATMs are appearing here, there, and everywhere from supermarket to mall to hospitals to office buildings. At the same time, branch locations have received

increased attention. Today, ATM providers must evaluate branch and off-premise locations. ATMs can address a number of providers' objectives. Off-premise locations can generate fee income and increase visibility to other banks' customers.

After these years, the future of the ATM is still unclear. ATMs and other self-service terminals are being repositioned and redefined as important channels in integrated retail systems. Will new technologies make ATMs obsolete? POS debit is impacting usage of ATMs for cash-obtaining purposes. Smart cards may also impact some ATM functions. Cyberbanking may further usurp the ATM's position as consumers move to PC banking and voice-response systems. Enhanced functions and expanded locations may breathe new life into ATMs and self-service terminals. Providers need to design the optimum mix of self-service terminals and locations for delivering, servicing, and selling financial services. At the same time, ATM providers need to capitalize on new technologies and meet the needs of the changing financial landscape.

What is the maximum potential for ATMs and self-service terminals in retail banking delivery systems? These machines can be more than what they are now. As cash dispensers, ATMs have been successful. As vehicles for marketing, customer service activities, and all types of transactions, the role of the ATM is just emerging ... Hong Kong people will soon be able to pay tax and utility bills at ATMs. Whether self service terminals are a competitive advantage or utility, and whether they are a branch substitute or complement? Banks should consider seriously.

Telephone banking

As a delivery channel for financial services, telephone banking is booming. Centralized-staffed call centers, voice-response systems, and outbound telemarketing all fall under the umbrella of telephone banking.

Statistics report that U.S. banks will invest \$823 million by the year 2000 to build and upgrade telephone banking systems. In Hong Kong, telephone transactions grew more than any other retail bank channel in 1998 and represented 15% of all banking transactions. In particular, Payment By Phone service has increased by 35% over last year to a volume of 1.9 million transactions monthly. Hong Kong Telecom will offer call centre outsourcing service to banks. For banks, the telephone is a low-cost method of handling customer needs. For bank customers, the telephone, in particular, the mobile phone for Hong Kong people, is a convenient, 24 hours location independent device.

To be successful, telephone banking needs to be market driven. The consumer's perspective must be considered. Providers face the challenge of encouraging adoption of cost-effective voice-response systems for routine activities, while still making available staffed call center services for complex activities and sales. Telephone banking needs to be expanded beyond customer service and information functions to include transactions, problem resolution, and sales. Providers must develop pricing strategies that enable telephone banking to generate fee revenue as well as be a cost-efficient delivery alternative. No matter what stage

the bank in -- expanding, upgrading, or refinements, and segmentation. Making the right consumer connection is the key to successful telephone banking.

Home banking

In Hong Kong, home banking refers to personal computer (PC) banking and TV banking. PCs are rapidly becoming household appliances.

Are consumers ready for the next step beyond voice-response and telephone banking? Banks in Hong Kong seem to think so. Recently, Citibank & Bank of China have announcement of home banking via Hong Kong Telecom's iTV channel.

PC banking have introduced PC-based banking services for their customers. Many of these services allow users to pay bills, transfer funds and obtain account information. Consumers are beginning to warm up to PC banking because it offers them convenience, a variety of applications and increased accuracy for financial transactions and better records and housekeeping.

Internet banking

In this project, we separate Internet banking from PC banking because of the worldwide overwhelming effect of Internet and because Internet banking could be used at home and for business. Almost all of the top 20 banks in Hong Kong have web site on the internet and offering certain type of Internet banking. For example,

Wing Lung bank offers free Internet banking services such as property evaluation, personal investment consultancy, etc. On the other hand, 50% of household in Hong Kong have PC and 50% of them have access to internet. Consumers can toggle back and forth between the Internet, personal financial software, dial-up and on-line commercial services to pay bills, trade stocks and comparison shop for insurance policies and credit cards. Most providers have made some type of commitment to the Internet and the on-line market. Some are wrestling with establishing priorities among various on-line alternatives. The relationship of the on-line market to other channels is a key challenge.

Video Kiosk

One of the latest twists in delivering financial services and products is through video kiosks and automated banking centers. Video kiosks use interactive video technology to allow customers to talk with financial advisors who appear up-close and personal, but may be miles away at a centers location. Automated banking centers can feature ATMs, cash dispensers and video kiosks. These centers can be positioned as a part of traditional branches or as stand-alone facilities. Standard Chartered Bank (Hong Kong) is planning to trial such banking service at Heng Fa Chuen. On the other hand, Hong Kong Telecom is building a territory-wide broadband network to support such kind of video applications.

CHAPTER 8

CONSUMER BEHAVIOR TOWARDS DIFFERENT FINANCIAL PRODUCT/SERVICE AND CHANNELS.

General trends

From chapter 4, 5 and 6, to a large extent, the trends that bankers have long suspected are being confirmed empirically. Demographic changes, particularly as baby boomers age, are shifting demand from credit toward savings and investment products. Additionally, consumers' growing comfort with technology is boosting usage of non-branch channels for routine transactions. And, more than ever, consumers expect and demand good service--defined not only by convenience, opening hours and professionalism, but by ease of access, accuracy and response time.

Against a backdrop of low net interest margin and high delivery costs, these trends present a sobering picture of retail banking profitability. Complicating the

picture is the relative difficulty of managing the change process to adjust traditional bank products and delivery systems to meet the changing demands of customers.

Retail banks need to develop a clearer understanding of how the behavior patterns of key customer segments vary and how these differences affect profitability. In addition, bankers must focus on delivery issues that cut across all market segments, such as migration to non-branch channels and the importance of excellent customer service.

Changing in Consumer Behaviour

Based on our findings in the previous chapters, we have formed the following views:

- (a) Across various customer segments there are major differences in distribution channel usage (e.g. frequency and channel preference). Major differences in usage occur even within segments.
- (b) Significant amount of transactions occur through non-branch channels, although primarily for servicing accounts. Automatic teller machines (ATMs) and telephones, in particular, are becoming increasingly important.

- (c) Branches, which are still the dominant means for selling deposit products, will continue to play an important role. However, branches will not be the most important means of delivery for many valuable customer segments.
- (d) Even with the most conservative of assumptions, a strong migration to non-branch channels will occur. The migration will be broad-based, but the pace will vary by segment.

These findings lead to four important implications:

- (a) Because of differences in channel use, product use and account balances, substantial differences in profitability exist across customer segments. As the migration to non-branch channels continues, profitability may improve marginally due to the lower costs of serving customers through nonbranch vehicles.
- (b) Both branch and non-branch channels will remain important in reaching and serving selected segments. Banks need to develop delivery strategies that recognize differences in segment needs and to balance delivery approaches accordingly.

- (c) The ability to sell through non-branch channels will be increasingly important, particularly in reaching segments for which the primary contact with a bank is through telephones, ATMs, direct deposit and debit/point-of-sale (POS) services.
- (d) Customer service is increasingly important and will be defined in terms of: ease of access, response times, as well as locational convenience, hours of service and professionalism.

Changing consumer behavior patterns and the potential impact on profitability, offer banks an important opportunity. By establishing a market-driven retail strategy that re-examines branch and non-branch delivery for specific customer segments, banks can increase their share of profitable customers.

Substantial differences in Profitability

Without question, customer profitability varies depending on transaction behavior, product use and account balances. Banks have an important opportunity to increase profitability by encouraging further migration to non-branch channels through greater deployment of technology, pricing strategies and customer education and service. As transaction volume migrates to less expensive channels, the average

cost to serve is likely to decline, assuming that banks take advantage of potential brick-and-mortar cost savings.

The profit improvements for any given market segment will depend on the degree of migration and the effects on transaction volume. Mixed channel-user segments, which are likely to show the greatest degree of migration to non-branch channels, have the greatest potential for cost savings and increases in net contribution per household.

However, it is important to recognize that migration to non-branch channels will not be the sole profitability driver. Several factors may offset the envisaged cost savings. These include: Increased overall transaction volumes. Greater operating costs from re-staffing the branch with sales and advisory personnel rather than transaction-oriented employees. Expenses incurred in developing sales and service capabilities for non-branch channels. Continued shrinking profit margins due to heightened competition from banks and non-banks.

Balancing delivery approaches

The migration of customers to non-branch channels implies that banks will need to determine the best ways to serve branch-oriented customer segments (and commercial relationships). As routine transactions migrate to non-branch channels,

consumer sales and servicing and commercial banking will comprise a greater portion of branch activity.

An increased focus on sales and servicing implies that banks will need to reexamine the staffing of branches. Over time, branches will need fewer tellers and more sales and service-oriented individuals. These employees should be able to exploit all of the sales opportunities afforded by a customer visiting the branch, recognizing that such visits are not as frequent as they once were.

Sales efforts should become more focused on meeting the needs of selected segments and on marketing products such as loans and investments, for which the branch is still a good delivery channel. The changes in staffing profile and branch activity will represent a managerial challenge.

Selling through Non-branch Channels

Without a strategy for reaching non-branch-oriented segments, banks face limited sales opportunities. Thus, banks need to develop more creative sales initiatives for non-branch channels. These initiatives can either support branch efforts or be independent of the branch network. The ultimate goal is to tailor the delivery of sales and service to achieve a good fit among products, segments and delivery channels.

The important of customer services

The profitable segments migrating to non-branch channels are likely to be more demanding and sensitive to service quality and knowledgeable telephone staff.

As customers become more comfortable with technology, they will expect excellent, seamless service whenever they choose to interact with the bank at self-service locations or through the telephone. Customers measure bank service not only by locational convenience but also by measures more attuned to technology (e.g. ease of use, response times, etc.) To attract and retain customers, banks will need to manage these new measures of service quality success by adjusting their definitions of and approaches to service.

Conclusions

Ninety percent of customers, including some self-service customers, still use branches occasionally. They use branches for deposits, complex servicing and sales. ATMs have not yet become a major channel for taking deposits. Although many bank and non-bank competitors sell credit and investment products via remote channels (e.g. telephone, mail), branches remain the primary means of opening deposit accounts.

Chapter 9

RECOMMENDATION ON TO WING HANG BANK

Branch Network Size

Although a large number of customers may still prefer to do their banking at a branch, the branch office does not need to be provided by a bank. It is conceivable that bank branching services could be provided by an independent company called, for example, Branch Services Corporation. Just as ATMs serve multiple banks in the JETCO network, the offices of Branch Services could cash checks, receive deposits, take loan applications, and perform other transactions for several banks, making the branch delivery system more efficient. In fact, the Bank of China group has been using similar approach for its member banks. As a conclusion, branch is still necessary. However, the nature of future branch will be different from that of existing.

We recommend Wing Hang Bank to review the nature of each branch before any further expansion.

Nature of future branch

We are seeing more and more of a trend toward different types of branches - some designed for fast service, some for cross-selling or relationship expansion, and some for convenience. Banks are creating, in fact, a portfolio of physical points of presence. And managing that portfolio is becoming the bank's biggest retail challenge - making sure having the right presence at the right time in the right place.

Secondly, branches are like hundreds of billboards that advertise the bank every day. They're places where customers can come and do the many things that still can't be accomplished electronically. They bring banks together with customers face-to-face.

But it's a mistake to think of branches in terms of one-size-fits-all. Instead, the bank needs to configure different types of delivery for particular markets. Small business banking contributes a great deal to the overall value of the branch system. When delivery decisions are made, customer segment oftentimes seems to be thrown in as an afterthought. In Hong Kong, Belgian Bank is experimenting with business-only branches to serve highly concentrated areas of small business and middle market companies, for whom the branch is still extremely important.

We recommend the Bank to re-position all the branches to suit the market needs in each branch area. The new faces should be on the group with age 35-54, well-educated managers and professionals. The branches should be located where these people work and live.

Process Re-engineering

Some of our studies show that branch personnel spend more than half their time on activities that aren't directly related to revenue generation and maintenance. The bank has more than 600 discrete policies and procedures governing the operation of a branch. It's inconceivable that any business can function efficiently with that kind of operating complexity. So the operating environment is a problem. It not only needs to be simplified but also truly re-engineered, with obstructing process either eliminated or automated.

We recommend Wing Hang Bank to simplify the branch operation and provide more flexibility and authority to front line staff. We also recommend the bank to apply ISO9000 quality assurance certificate.

Cost cutting

In the short run, banks will continue to compete by cutting costs and striving to be more efficient. Although some are narrowing their focus or selling business, others are segmenting their markets in order to provide services through lower-cost delivery systems.

But in the long run, there are important and legitimate reasons for functions to be combined into new packages. In part, the logic comes from economics. Cost sharing in the production or delivery process can make providing a package more efficient than providing individual services. For instance, if customers adopt banking by personal computer - paying bills and balancing their accounts on a computer - banks could use this electronic link to their customers to introduce new products at lower cost.

We recommend Wing Hang Bank to employ latest technology to reduce operation cost as staff cost is the most significant element in operation cost.

Combine functions and develop new products

Functions might also be combined to address hitherto unmet needs in innovative ways. For example, a couple who wish to provide for the college education of their children have a need that involves two primary financial functions. The first is the transfer of resources over time: The couple wishes to save now in order to have resources to spend later when the children enter college. The second is risk management: The couple would like to ameliorate the investment risk inherent in the savings program; they also need to ensure that savings funds could be made available if the primary wage earner were to die.

Life insurance companies have long provided an integrated product to help meet a financial need involving the same two financial functions. Whole life

insurance is a product that packages life insurance with a savings account that has a cash value. The account's cash value grows from the rate of return provided by the insurance company and the regular payments made by the policy owner. The mentioned couples are able to obtain cash when their children reach college age by borrowing from the cash value account or by terminating the policy. The insurance company guarantees a minimum cash value, thereby managing both the investment and the mortality risks.

We recommend Wing Hang Bank to review its existing product and evaluate and develop new products to serve the new markets. Examples are insurance, investments, internet banking, homebanking, and unit trusts.

Use people and technology

We believe banks and other financial service institutions should use people and technology, not physical facilities, to integrate functions for customers. Bank branches will play a role in the delivery of financial products for some time, perhaps a long time, but by themselves they are unlikely to be a mechanism for integrating existing products. Although the virtues of branches are obvious - they are in place, they often have spare capacity, and many customers use them - they also have limitations. Products such as life insurance and mutual funds require sellers to educate potential buyers about the product. Although an effective sales force located in a bank branch might succeed in selling these products, the fact that the activity is occurring in a bank is not likely to be a comparative or sustainable advantage. A

customer does not typically think of buying life insurance when making a quick trip to the bank to cash a check.

The use of people - brokers, agents, financial planners, and advisers - will prove to be an increasingly important mechanism for integrating functions. This is partly a supply phenomenon. Insurance companies, brokerage firms, and financial advisory companies are all, like banks, trying to offer more through their existing delivery systems. But people are also important because consumers need help from experts. Once customers venture away from standard integrated products such as whole life insurance, they need more advice on how to put packages of products together to meet their needs. Most early efforts to get insurance agents and brokers to cross-sell products met with little success because salespeople felt more comfortable with traditional products. However, training programs, changes in financial incentives, and analytical help in the selection of appropriate product packages are improving the success rate. Information technology is a second mechanism for integrating functions. Financial planning software running on personal computers, for example, provides customers or their advisers with the ability to select mutual funds more knowledgeably, to determine the amount of insurance needed by the family saving for college education, and to analyze other household financial questions better. Technology also can play a role simply by providing more information so that customers can better manage their financial affairs. Integrated account statements, for example, provide a product-integration and record-keeping service that is valuable to the customer. Today vendors such as brokerage or mutual fund companies provide integrated statements; however, the technology makes it possible for innovators to pull together product information from multiple vendors.

We recommend Wing Hang Bank to train and recruit staff to equip new skill sets as product selling and marketing. Tellers of HSBC are trained to sell products when customers visit them for general transactions. Outbound call centre may also be established to create more marketing and servicing activities.

Branch Image

For our purposes, we will treat bank image as what consumers think about a particular bank. This includes perceptions and attitudes based on sensations of bank related stimuli received. Operationally, store image is commonly assessed by products, service, clientele, physical facilities, promotion and convenience.

We recommend Wing Hang Bank to develop a consistent bank image. Hong Kong Bank has done a good job changing the image of a British Bank to a local bank by changing the logo, branch design, language used, etc.

Branch atmosphere

Branch atmosphere primarily involves affect in the form of in-branch emotional states that consumers may not be fully conscious of when using in-branch service.

Overall, pleasure and arousal influenced consumers' stated (1) enjoyment of using service in the branch (2) time spent browsing and exploring the bank's offerings, (3) willingness to talk to branch personnel, (4) tendency to use more services than originally planned.

Both HSBC and Bank of China have changed the decoration of their branches to a more open, friendly atmosphere. We recommend Wing Hang Bank to develop an American style friendly and open branch atmosphere.

Branch contact

Branch contact involves the consumer locating, traveling to and entering a branch. For example, branch location decisions are strongly influenced by heavy traffic and pedestrian patterns, which facilitate branch contact.

Also, the visibility of the branch and its distance from consumers are variables used to select locations that can increase branch contact. For Wing Hang Bank, selecting locations in the vicinity of major housing estate or shopping arcade may greatly increase the probability of consumers coming into contact with them. In fact, one of the major advantages of locating in a successful shopping center or mall is the branch contact available from pedestrians passing by on their way for other program. From the consumers' viewpoint, such locations can reduce banking time and effort by allowing single trip for multiple purposes.

Branch location is a critical aspect of the bank's channel strategy. Good locations allow ready access, can attract large numbers of consumers, and can significantly alter consumer purchasing patterns. As banks with very similar product offerings proliferate, even slight differences in location can have a significant impact on market share and profitability. In addition, branch location decisions represent long-term financial commitments, and changing poor locations can be difficult and costly.

We recommend Wing Hang Bank to review the location and competitiveness of each branch.

Branches Operation Hours

In order to be competitive in locations with many other banks, branch should consider innovative service. For instance, International Bank of Asia extends its banking hours from 5:00p.m. to 7:30p.m. for horse racing evenings.

We recommend Wing Hang Bank to consider having limited service outside normal banking hours such as 8:00a.m. in the morning and Saturday afternoon so that customers may be served before work and during weekends.

Use of Self Service Terminals

Self service terminals are means to contact customers to promote bank image and brand, to market new products, to provide general customer notice (such as increases in interest rate), to reduce cost and generate revenue (when used by other banks' customers).

We recommend Wing Hang Bank to extend the type and coverage of self service terminals.

CHAPTER 10

COMPETITOR RESPONSE

Banks compete in the same multiple markets. Regional competition is also evident in international markets as the necessity for multinational corporations to have business in Hong Kong and China. When multi-market overlap exists between banks, this presents opportunities for multipoint competition, a situation in which banks compete against each other simultaneously in several product or geographic markets.

The intensity of competitive rivalry often is based on a potential response and is of great concern for an attacker. An attacker may not be motivated to target a rival that seems likely to retaliate. This is especially true for banks with strategic resources similar to those of a potential attacker. (Resource similarity refers to the extent of resource overlap between two banks). In addition, resource dissimilarity likely plays a vital role in a competitor's motivation to attack or respond. In fact, 'the greater is the resource imbalance between the acting bank and competitors or potential responders, the greater will be the delay in response.' Although the degree of market commonality is quite visible to the strategists of both banks strategic resources, because of their possible indeterminable nature, tend to be much less identifiable. The difficulty in identifying and understanding relationships among the competing

banks resources (including its capabilities and core competencies) also contributes to response delays, especially in instances of resource dissimilarity.

Although awareness and motivation to respond are derived largely from competitor analysis of market commonality and resource similarity, there are strong incentives to be the first mover in a competitor battle if the attacking bank believes it has potential to win. A competitive action is a significant competitive move taken by a bank that is designed to gain a competitive advantage in a market. The first mover in a competitive interaction may be able to gain above-average returns while competitors consider potential countermoves. Furthermore, the first mover may be able to deter counter-attack if given enough time. Therefore, there are significant incentives to be a first mover and the order of each competitive action and response influences an industry's competitive dynamics. This has been demonstrated and proved in the Hong Kong credit card market and time deposit market.

There are four general bank abilities to take action that influence competitive interaction (1) relative bank size (2) the speed at which competitive actions and responses are made, (3) the extend of innovation by banks and (4) product quality.

1) Relative Bank Size

The larger a bank, the greater its market power. Of course, the extend of any bank's market power is relative to the power of its competitors.

2) Speed of competitive actions and competitive responses, our world is one in which time and speed are important. The speed with which a bank can initiate

competitive actions and competitive responses may determine its success. In the global economy, speed in developing a new product and moving it to the marketplace is becoming critical to a bank's efforts to establish a sustainable competitive advantage and earn above-average returns.

- 3) Innovation, a third general factor, innovation, has long been known to have a strong influence on banks' performance.
- 4) Quality, product quality has become a universal theme in the global economy and continues to shape the competitive dynamics in many industries. Without quality goods or services, strategic competitiveness cannot be achieved. Quality involves meeting or exceeding customer expectations in the goods and/or services offered.

Since Wing Hang Bank is the best performing one in the medium-to-small banking segment, it should be able to lead and react to any competition. The key is that Wing Hang Bank has to invest, be the first mover, develop innovative product and offer premium quality of service and products to maintain competitiveness.

OVERALL COMMENTS

The original scope of this MBA project is to study the locational analysis and distribution strategy for a local retail bank. However, it has evolved to cover much more than that as seen from the various recommendations proposed.

We enjoy and have learnt a lot from this project and feel that more work could be done to make it either more comprehensive or more focused. If that is the case, we hope that we have built the first few steps for others to continue.

Alen & Edward

1999

APPENDIX

No.	Descriptions
1	Estimated Mid-year population by age group and sex
2	Gross domestic product estimates and deflator
3	Labour force, unemployment and underemployment
4	Banking business receipt index
5	Number of authorised institutions and local representative offices
5a	Loans and advances to customers
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7	Deposits from customers
8	Interest rates and consumer price index
9	Financial statements of Hang Seng Bank
10	Financial statements of Dao Heng Bank Group
11	Financial statements of Bank of East Asia
12	Financial statements of Hong Kong Chinese Bank
13	Financial statements of Liu Cheong Hing Bank
14	Financial statements of International Bank of Asia
15	Financial statements of Dah Seng Bank
16	Financial statements of First Pacific Bank Holdings
17	Financial statements of CITIC Ka Wah Bank
18a	Financial statements of Kwong On Bank
18	Financial statements of Union Bank
19	Financial statements of Wing Hang Bank
20	Financial statements of Wing Lung Bank
21	Wing Hang Bank branch financial performance and locational information
22	Phone banking transaction breakdown
23	ATM transaction breakdown
24	Estimated population by district during branch opening hours

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Estimated Mid-year Population by Age Group & Sex

Age group	Sex	1987	1990	1992	1993	1994	1995	1996	1997
0-4	M	208,300	194,900	191,500	192,700	193,800	196,500	195,800	192,400
0-4	F	193,400	180,800	178,600	179,600	178,400	181,000	180,700	177,100
5-9	M	220,700	221,300	206,200	200,600	199,400	198,100	199,800	202,400
5-9	F	204,600	204,900	193,400	190,100	188,300	186,900	186,300	187,000
10-14	M	226,200	221,100	217,900	218,400	221,100	222,500	221,700	214,600
10-14	F	207,400	203,300	204,100	207,200	209,000	210,000	208,600	202,900
15-19	M	229,700	226,200	212,700	209,700	215,400	218,500	219,300	225,400
15-19	F	210,100	208,000	195,800	196,300	199,300	202,700	205,400	212,400
20-24	M	278,300	235,000	220,500	219,900	222,800	224,500	229,700	233,700
20-24	F	268,300	226,900	220,500	220,700	223,300	226,100	232,000	236,200
25-29	M	317,800	302,200	282,000	270,600	260,700	251,300	248,600	249,300
25-29	F	303,500	305,100	296,100	292,200	289,900	287,500	284,300	277,100
30-34	M	279,700	310,200	318,900	319,900	318,100	312,200	309,600	309,300
30-34	F	259,400	298,000	317,500	327,200	336,600	342,400	344,600	338,900
35-39	M	236,100	256,000	276,800	291,700	306,700	317,400	330,400	346,500
35-39	F	210,100	238,700	265,500	284,400	303,000	319,400	332,800	344,100
40-44	M	154,100	208,500	234,100	243,500	251,100	258,300	272,100	296,200
40-44	F	127,400	181,900	209,800	222,200	236,000	248,200	264,700	283,600
45-49	M	137,500	132,600	153,600	172,700	193,800	212,500	231,600	251,700
45-49	F	113,000	107,100	127,000	144,600	165,700	186,400	207,600	227,600
50-54	M	147,200	141,500	135,400	132,200	131,000	133,300	143,600	164,200
50-54	F	125,800	117,900	110,900	107,300	105,400	107,500	117,200	134,400
55-59	M	136,200	139,700	140,100	140,600	139,700	137,700	137,200	139,800
55-59	F	123,200	123,500	122,600	121,500	120,200	118,500	117,100	116,400
60-64	M	111,500	121,200	126,600	128,000	130,500	132,200	135,100	139,600
60-64	F	110,300	115,200	120,100	121,200	122,200	122,600	123,500	125,700
65-69	M	82,400	90,000	97,100	101,200	105,600	109,200	113,500	120,700
65-69	F	88,700	95,500	102,500	106,100	109,500	112,500	115,600	120,400
70-74	M	57,600	62,200	66,700	68,800	72,100	76,200	80,700	87,000
70-74	F	70,300	73,300	78,300	81,600	85,400	88,900	92,800	98,600
>= 75	M	47,600	59,500	66,900	71,800	77,700	83,900	90,200	98,500
>= 75	F	94,100	102,300	110,800	116,500	123,700	131,100	138,900	148,400
Overall	M	2,870,900	2,922,100	2,947,000	2,982,300	3,039,500	3,084,300	3,158,900	3,271,300
	F	2,709,600	2,782,400	2,853,500	2,918,700	2,995,900	3,071,700	3,152,100	3,230,800
Total		5,580,500	5,704,500	5,800,500	5,901,000	6,035,400	6,156,000	6,311,000	6,502,100

Source: The Government of the HKSAR

Gross Domestic Product (GDP) Estimates and GDP Deflator

	Expenditure-based GDP at current market prices		Expenditure-based GDP at constant (1990) market prices		Expenditure-based GDP at constant (1990) market prices		Expenditure-based GDP at constant (1990) market prices	
	(HK\$ million)	Year-on-year % change	(HK\$ million)	Year-on-year % change	(HK\$ million)	Year-on-year % change	(HK\$ million)	Year-on-year % change
1992	779,335	16.6	650,347	6.3	119.8	9.7		
1993	897,463	15.2	690,223	6.1	130.0	8.5		
1994	1,010,885	12.6	727,506	5.4	139.0	6.9		
1995	1,077,145	6.6	755,832	3.9	142.5	2.5		
1996#	1,192,049	10.7	790,400	4.6	150.8	5.8		
1997#	1,339,711	12.4	832,310	5.3	161.0	6.8		
1994 Q1	231,931	14.8	169,621	6.5	136.7	7.7		
Q2	244,549	13.8	174,073	5.5	140.5	7.8		
Q3	263,814	11.0	190,727	4.3	138.3	6.4		
Q4	270,593	11.5	193,085	5.4	140.1	5.7		
1995 Q1	248,973	7.3	179,460	5.8	138.7	1.5		
Q2	261,536	6.9	181,828	4.5	143.8	2.3		
Q3	279,154	5.8	196,269	2.9	142.2	2.8		
Q4	287,482	6.2	198,276	2.7	145.0	3.5		
1996 Q1	269,798	8.4	184,843	3.0	146.0	5.3		
Q2	287,840	10.1	189,277	4.1	152.1	5.8		
Q3	308,418	10.5	206,881	5.4	149.1	4.9		
Q4	325,993	13.4	209,398	5.6	155.7	7.4		
1997 Q1	305,831	13.4	195,401	5.7	156.5	7.2		
Q2	332,838	15.6	202,328	6.9	164.5	8.2		
Q3	350,094	13.5	219,399	6.1	159.6	7.0		
Q4	350,949	7.7	215,183	2.8	163.1	4.8		
1998 Q1	310,106	1.4	190,121	-2.7	163.1	4.2		
Q2	323,442	-3.2	192,048	-5.1	168.4	1.9		
Q3	328,233	-6.7	204,477	-6.9	160.5	0.2		
Q4	326,109	-7.5	202,993	-5.7	160.7	-2.0		

Source: The Government of the HKSAR

Labour Force, Unemployment and Underemployment

Period		Labour Force ('000)	Unemployment Rate (Seasonally adjusted) (%)	Underemployment Rate (%)
7/94 - 9/94	Sep-94	2,921.20	2.3	1.1
8/94 - 10/94	Oct-94	2,941.70	2.2	1.3
9/94 - 11/94	Nov-94	2,966.80	2.1	1.4
10/94 - 12/94	Dec-94	2,972.40	2.0	1.5
11/94 - 1/95	Jan-95	2,958.80	2.2	1.6
12/94 - 2/95	Feb-95	2,934.40	2.5	1.5
1/95 - 3/95	Mar-95	2,929.10	2.8	1.4
2/95 - 4/95	Apr-95	2,950.30	3.0	1.5
3/95 - 5/95	May-95	2,991.30	2.9	1.9
4/95 - 6/95	Jun-95	3,009.10	3.1	2.1
5/95 - 7/95	Jul-95	3,011.50	3.2	2.3
6/95 - 8/95	Aug-95	3,018.00	3.5	2.5
7/95 - 9/95	Sep-95	3,018.40	3.5	2.5
8/95 - 10/95	Oct-95	3,033.40	3.6	2.3
9/95 - 11/95	Nov-95	3,045.30	3.6	2.2
10/95 - 12/95	Dec-95	3,046.20	3.5	2.3
11/95 - 1/96	Jan-96	3,055.50	3.3	2.4
12/95 - 2/96	Feb-96	3,062.70	3.1	2.2
1/96 - 3/96	Mar-96	3,065.30	3.2	2.0
2/96 - 4/96	Apr-96	3,065.10	3.3	1.8
3/96 - 5/96	May-96	3,071.90	3.2	1.9
4/96 - 6/96	Jun-96	3,090.10	3.1	1.8
5/96 - 7/96	Jul-96	3,082.00	2.9	1.6
6/96 - 8/96	Aug-96	3,074.80	2.8	1.4
7/96 - 9/96	Sep-96	3,075.50	2.6	1.4
8/96 - 10/96	Oct-96	3,094.70	2.5	1.5
9/96 - 11/96	Nov-96	3,122.00	2.7	1.5
10/96 - 12/96	Dec-96	3,144.50	2.6	1.6
11/96 - 1/97	Jan-97	3,157.10	2.5	1.4
12/96 - 2/97	Feb-97	3,153.60	2.4	1.2
1/97 - 3/97	Mar-97	3,160.90	2.5	1.1
2/97 - 4/97	Apr-97	3,160.10	2.6	1.2
3/97 - 5/97	May-97	3,159.40	2.5	1.3
4/97 - 6/97	Jun-97	3,180.80	2.4	1.3
5/97 - 7/97	Jul-97	3,172.80	2.4	1.2
6/97 - 8/97	Aug-97	3,182.60	2.4	1.2
7/97 - 9/97	Sep-97	3,192.20	2.2	1.0
8/97 - 10/97	Oct-97	3,237.00	2.3	1.0
9/97 - 11/97	Nov-97	3,290.60	2.4	1.1
10/97 - 12/97	Dec-97	3,330.20	2.5	1.3
11/97 - 1/98	Jan-98	3,313.60	2.5	1.5
12/97 - 2/98	Feb-98	3,284.60	2.9	1.6
1/98 - 3/98	Mar-98	3,272.80	3.5	1.9
2/98 - 4/98	Apr-98	3,298.30	3.9	2.2
3/98 - 5/98	May-98	3,327.60	4.1	2.6
4/98 - 6/98	Jun-98	3 348.0	4.4	2.6
5/98 - 7/98	Jul-98	3,356.20	4.8	2.6
6/98 - 8/98	Aug-98	3 380.3	5.0	2.6
7/98 - 9/98	Sep-98	3,379.90	5.0	2.7
8/98 - 10/98	Oct-98	3,388.90	5.2	2.7
9/98 - 11/98	Nov-98	3,399.70	5.5	2.9
10/98 - 12/98	Dec-98	3,433.70	5.7	3.0
11/98 - 1/99	Jan-99	3,458.20	5.8	3.1
12/98 - 2/99	Feb-99	3,445.00	6.0	3.0

Source: The government of the HKSAR

Banking Business Receipts Index

(Quarterly Average of 1996 = 100)

Period		Indices
1996	96 Q1	94.4
	96 Q2	95.9
	96 Q3	98.8
	96 Q4	110.9
1997	97 Q1	101.1
	97 Q2	108.3
	97 Q3	108.8
	97 Q4	97.5
1998	98 Q1	95.9
	98 Q2	98.7
	98 Q3	94.5

Source: The government of the HKSAR

Number of Authorised Institutions and Local Representative Offices

As at end of	Licensed banks		Restricted licence banks		Deposit-taking		All authorized institutions	Local representative offices
	Incorporated in HK	Incorporated outside HK	Incorporated in HK	Incorporated outside HK	Incorporated in HK	Incorporated outside HK		
1993	32	140	33	24	139	3	371	142
1994	32	148	35	28	134	3	380	157
1995	31	154	37	26	129	3	380	157
1996	31	151	38	24	121	3	368	157
1997	31	149	39	27	113	2	361	159
1997 Aug	31	152	38	26	118	2	367	158
Sep	31	151	39	26	115	2	364	158
Oct	31	150	39	27	115	2	364	157
Nov	31	149	39	27	114	2	362	159
Dec	31	149	39	27	113	2	361	159
1998 Jan	31	149	39	27	113	2	361	155
Feb	31	149	39	27	113	2	361	153
Mar	31	146	39	27	111	2	356	151
Apr	31	146	39	27	111	2	356	152
May	31	146	39	27	110	2	355	149
Jun	31	144	39	26	108	2	350	149
Jul	31	144	39	26	107	2	349	148
Aug	31	144	39	26	106	2	348	145
Sep	31	144	37	26	105	2	345	144
Oct	31	144	36	26	105	2	344	143
Nov	31	143	36	26	103	2	341	143
Dec	31	141	35	25	99	2	333	141
1999 Jan	31	140	35	25	96	2	329	141

Source: The Hong Kong Monetary Authority

Loans and Advances to Customers Analysed by Type

As at end		Total loans and advances		
		HK\$	F.C.	Total
1997	Jul	1,717,752	2,543,869	4,261,622
	Aug	1,722,865	2,520,767	4,243,631
	Sep	1,793,433	2,484,435	4,277,868
	Oct	1,751,447	2,519,233	4,270,679
	Nov	1,731,212	2,454,256	4,185,468
	Dec	1,742,481	2,379,189	4,121,670
1998	Jan	1,737,268	2,369,279	4,106,547
	Feb	1,732,354	2,256,787	3,989,141
	Mar	1,732,612	1,988,019	3,720,630
	Apr	1,739,590	1,976,177	3,715,768
	May	1,744,649	1,915,797	3,660,446
	Jun	1,735,714	1,858,372	3,594,085
	Jul	1,723,322	1,777,212	3,500,534
	Aug	1,716,005	1,703,342	3,419,347
	Sep	1,707,659	1,653,217	3,360,877
	Oct	1,700,338	1,769,775	3,470,113
	Nov	1,701,589	1,626,973	3,328,561
	Dec	1,695,890	1,609,738	3,305,628

Source: The Hong Kong Monetary Authority

Principal Statistics for All Licensed Banks

	1986	1989	1991	1992	1993	1994	1995
# of establishments	148	169	170	166	169	178	188
<i>Commissions, fees and charges received</i>	2,932	5,451	7,185	8,909	10,875	12,834	14,673
Net interest receipts	9,824	18,170	37,496	46,365	52,805	58,570	68,578
Profit from foreign exchange dealing	2,826	4,345	5,806	6,612	5,649	5,159	6,291
Dividends received and profit from trading in securities	2,487	3,618	3,681	4,211	4,392	3,222	5,141
<i>Wages and salaries paid and other employee benefits offered</i>	4,973	8,678	11,904	13,833	15,499	18,375	20,753
Rental payment	1,379	2,009	2,947	3,223	3,669	4,229	4,780
Office stationery and supplies	389	624	751	822	882	978	1,121
Advertising, promotion, communications, entertainment and staff travelling expenses	636	1,179	1,675	1,869	2,166	2,551	3,068
Other administrative expenses, including professional fees, insurance premium	1,044	1,643	2,431	2,760	3,003	3,928	5,000

Source: The Government of the HKSAR

Deposits from Customers

As at end of	Demand Total	Saving Total	Time Total	All Total
1997 Jul	148,458	526,402	1,937,993	2,612,853
Aug	141,628	520,546	1,928,914	2,591,089
Sep	142,935	502,593	1,998,584	2,644,112
Oct	142,114	479,689	2,000,336	2,622,139
Nov	128,727	486,499	1,975,979	2,591,205
Dec	127,504	491,019	1,980,735	2,599,257
1998 Jan	114,975	459,547	2,034,783	2,609,306
Feb	117,938	504,462	2,029,879	2,652,279
Mar	120,716	517,489	2,020,890	2,659,096
Apr	120,955	510,846	2,022,802	2,654,602
May	110,689	486,751	2,026,326	2,623,767
Jun	109,019	464,511	2,087,703	2,661,233
Jul	111,664	465,637	2,185,263	2,762,564
Aug	108,386	455,771	2,235,771	2,799,928
Sep	109,597	466,975	2,254,588	2,831,160
Oct	116,560	533,749	2,249,556	2,899,865
Nov	121,242	566,876	2,194,183	2,882,301
Dec	116,484	583,374	2,209,387	2,909,245

Source: The Hong Kong Monetary Authority

Interest rates and Consumer Price Index

During	Period average figures (% p.a.)						
	Time deposits rates of less than HK\$ 100,000				Savings deposits rate	Best lending rate	CPI
	1-week	1-month	3-month	6-month	12-month		
1997 Dec-97	4.68	7.17	8.43	8.54	8.53	4.75	5.2
1998 Jan-98	6.2	8.56	9.2	9.23	9.25	5.23	5.4
Feb	5.23	6.48	8.1	8.93	9.2	5.5	4.7
Mar	4.96	5.86	6.93	7.94	8.86	5.48	4.8
Apr	4.73	5.69	6.39	7.25	7.73	5.25	4.7
May	5.04	6.69	7.13	7.72	8.15	5.25	4.5
Jun	5.91	7.97	8.27	8.47	8.85	5.25	4
Jul	5.21	7.46	8.2	8.59	8.87	5.25	3.2
Aug	6.22	8.19	8.64	8.94	9.09	5.25	2.7
Sep	5.05	7.3	8.09	8.74	8.89	5.25	2.5
Oct	4.37	5.48	6.25	6.77	7.4	5.15	0.1
Nov	4.24	4.94	5.52	5.95	6.8	4.93	-0.7
Dec	3.83	4.84	5.43	5.84	6.63	4.46	-1.6
1999 Jan	3.62	4.74	5.2	5.55	6.18	4.08	-1.1

Source: The Government of the HKSAR

Hang Seng Bank, Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	181	164	135	108	100
Cost / EBITDA	100	101	109	112	100
Total Cost / Total Income	100	101	107	109	100
ROA = EBITDA / Total Assets	127	118	109	99	100
ROE = EBITDA / Shareholder's fund	121	113	104	101	100
Profit Margin	84	96	93	87	100
Financial Leverage	95	96	96	102	100
Premise cost / EBITDA ratio	126	113	100	109	100
Staff cost / EBITDA ratio	98	102	108	112	100
Premise cost / Total Cost ratio	126	112	92	98	100
Staff cost / Total Cost ratio	98	101	99	101	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	11,196,000	10,163,000	8,343,000	6,667,000	6,201,000
Cost / EBITDA	29.5%	29.7%	32.1%	33.0%	29.5%
Total Cost / Total Income	22.8%	22.9%	24.3%	24.8%	22.8%
ROA = EBITDA / Total Assets	2.82%	2.61%	2.42%	2.19%	2.22%
ROE = EBITDA / Shareholder's fund	22.5%	21.0%	19.4%	18.8%	18.6%
Profit Margin	5.5%	6.2%	6.0%	5.6%	6.5%
Financial Leverage	7.97	8.05	8.02	8.56	8.38
Premise cost / EBITDA ratio	5.81%	5.22%	4.63%	5.05%	4.63%
Staff cost / EBITDA ratio	18.88%	19.52%	20.72%	21.60%	19.21%
Premise cost / Total Cost ratio	19.69%	17.57%	14.39%	15.33%	15.67%
Staff cost / Total Cost ratio	63.93%	65.65%	64.47%	65.48%	65.01%

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	27,246,000	24,137,000	23,338,000	16,125,000	13,340,000
Interest expense	(16,089,000)	(13,911,000)	(14,919,000)	(9,724,000)	(7,597,000)
Net interest income	11,157,000	10,226,000	8,419,000	6,401,000	5,743,000
Other operating income	3,346,000	2,959,000	2,606,000	2,465,000	2,290,000
Operating income	14,503,000	13,185,000	11,025,000	8,866,000	8,033,000
Operating expenses	(3,730,000)	(3,382,000)	(2,999,000)	(2,541,000)	(2,175,000)
Operating profit before provisions	10,773,000	9,803,000	8,026,000	6,325,000	5,858,000
Charge for bad and doubtful debts	(635,000)	(715,000)	(131,000)	(41,000)	(118,000)
Operating profit	10,138,000	9,088,000	7,895,000	6,284,000	5,740,000
Profit/loss on disposal of fixed assets and long-term investments	625,000	515,000	1,079,000	2,199,000	1,842,000
Exceptional item	-	-	-	-	-
Share of profits of associated company	68,000	132,000	51,000	-	-
Profit before taxation	10,831,000	9,735,000	9,025,000	8,483,000	7,582,000
Taxation	(1,468,000)	(1,248,000)	(1,041,000)	(1,068,000)	(876,000)
Profit after taxation	9,363,000	8,487,000	7,984,000	7,415,000	6,706,000
Minority interests	-	-	-	-	(4,000)
Profit attributable to shareholders	9,363,000	8,487,000	7,984,000	7,415,000	6,702,000
Transfer to general reserve	-	-	-	-	-
Dividends	(6,569,000)	(5,949,000)	(5,602,000)	(5,196,000)	(3,187,000)
Profit for the year retained	2,794,000	2,538,000	2,382,000	2,219,000	3,515,000

	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	4.85	4.39	4.13	3.84	3.47

Hang Seng Bank, Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	100,664,000	115,325,000	128,344,000	104,105,000	103,603,000
Placements with banks and other financial institutions maturing between one and twelve months	36,372,000	54,405,000	42,856,000	57,023,000	58,273,000
Trade bills & certificate of deposit	5,987,000	2,660,000	5,732,000	5,065,000	4,336,000
Securities held for dealing purposes	815,000	5,207,000	4,077,000	-	-
Short term investments	-	-	-	1,654,000	2,284,000
Advances to customers and other accounts less provision	204,016,000	162,587,000	138,081,000	118,236,000	95,399,000
Amounts due from immediate holding company and fellow subsidiary companies	9,873,000	12,318,000	-	-	-
Other assets	4,218,000	3,686,000	-	-	-
Investment securities	14,657,000	11,980,000	8,507,000	-	-
Investments in associated companies	1,613,000	1,482,000	1,154,000	-	-
Long term investments	-	-	-	6,650,000	3,789,000
Tangible Fixed assets	18,460,000	19,209,000	16,416,000	11,439,000	11,540,000
Total assets	396,675,000	388,859,000	345,167,000	304,172,000	279,224,000
Liabilities					
Current, deposit and other accounts	328,753,000	317,330,000	297,693,000	264,588,000	243,675,000
Deposits from banks	3,005,000	4,376,000	-	-	-
Proposed dividend	3,865,000	3,515,000	4,443,000	4,037,000	2,221,000
Amounts due to immediate holding company and fellow subsidiary companies	711,000	2,449,000	-	-	-
Other liabilities	10,569,000	12,904,000	-	-	-
Total liabilities	346,903,000	340,574,000	302,136,000	268,625,000	245,896,000
Capital Resources					
Share capital	9,566,000	9,658,000	9,658,000	9,658,000	9,658,000
Reserves	40,206,000	38,627,000	33,373,000	25,889,000	23,670,000
Shareholders' funds	49,772,000	48,285,000	43,031,000	35,547,000	33,328,000
Minority interests	-	-	-	-	-
Total liabilities and capital resources	396,675,000	388,859,000	345,167,000	304,172,000	279,224,000

Hang Seng Bank, Ltd.**Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	57,805,000	78,063,000	71,858,000	64,494,000	43,034,000
Placements with banks and other financial institutions maturing between one and twelve months	22,673,000	24,726,000	24,657,000	23,192,000	12,786,000
Trade bills & certificate of deposit	4,718,000	2,163,000	5,675,000	5,065,000	4,336,000
Securities held for dealing purposes	757,000	5,151,000	3,875,000	-	-
Short term investments	-	-	-	32,000	238,000
Advances to customers and other accounts less provision	104,337,000	84,317,000	66,924,000	60,272,000	47,835,000
Amount due from immediate holding company and fellow subsidiary companies	6,608,000	7,958,000	-	115,176,000	139,134,000
Amount due from subsidiary companies	137,672,000	130,361,000	128,984,000	-	-
Other assets	4,776,000	3,892,000	-	-	-
Investment securities	7,627,000	7,762,000	5,087,000	-	-
Investments in subsidiary companies	1,867,000	1,867,000	1,867,000	1,836,000	1,827,000
Investments in associated companies	48,000	48,000	48,000	-	-
Long term investments	-	-	-	3,729,000	2,423,000
Tangible Fixed assets	13,834,000	14,443,000	12,374,000	8,891,000	9,482,000
Total assets	362,722,000	360,751,000	321,349,000	282,687,000	261,095,000
Liabilities					
Current, deposit and other accounts	311,212,000	303,200,000	284,969,000	250,672,000	230,846,000
Deposits from banks	2,565,000	4,287,000	-	-	-
Amounts due to immediate holding company and fellow subsidiary companies	599,000	2,356,000	-	-	-
Amounts due to subsidiary companies	94,000	54,000	237,000	263,000	243,000
Other liabilities	10,838,000	13,010,000	-	-	-
Proposed dividend	3,865,000	3,515,000	4,443,000	4,037,000	2,221,000
Total liabilities	329,173,000	326,422,000	289,649,000	254,972,000	233,310,000
Capital Resources					
Share capital	9,566,000	9,658,000	9,658,000	9,658,000	9,658,000
Reserves	23,983,000	24,671,000	22,042,000	18,057,000	18,127,000
Shareholders' funds	33,549,000	34,329,000	31,700,000	27,715,000	27,785,000
Minority interests	-	-	-	-	-
Total liabilities and capital resources	362,722,000	360,751,000	321,349,000	282,687,000	261,095,000

Hang Seng Bank, Ltd.**Operating Profit****(a) Other operating income**

	1997	1996	1995	1994	1993
Dividend income from listed investments	164,000	162,000	201,000	251,000	255,000
Dividend income from unlisted investments	16,000	19,000	2,000	9,000	2,000
Net fees and commission income	1,757,000	1,477,000	1,244,000	1,029,000	806,000
Gains arising from dealing in foreign currencies	609,000	546,000	509,000	432,000	572,000
Gains arising from dealing activities	(60,000)	34,000	11,000	95,000	52,000
Rental income from investment properties	268,000	265,000	270,000	-	-
Others	592,000	456,000	369,000	649,000	603,000
	<u>3,346,000</u>	<u>2,959,000</u>	<u>2,606,000</u>	<u>2,465,000</u>	<u>2,290,000</u>

(b) Operating expenses

Staff costs					
Salaries and other staff costs	1,890,000	1,754,000	1,525,000	1,298,000	1,058,000
Retirement benefit costs	224,000	230,000	204,000	142,000	133,000
	<u>2,114,000</u>	<u>1,984,000</u>	<u>1,729,000</u>	<u>1,440,000</u>	<u>1,191,000</u>
Premises and equipment expenses, excluding depreciation	651,000	531,000	386,000	337,000	287,000
Depreciation	423,000	360,000	317,000	342,000	343,000
Others	542,000	507,000	567,000	422,000	354,000
	<u>3,730,000</u>	<u>3,382,000</u>	<u>2,999,000</u>	<u>2,541,000</u>	<u>2,175,000</u>

Dao Heng Bank Group Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	518	443	318	240	100
Cost / EBITDA	59	56	67	96	100
Total Cost / Total Income	73	71	79	98	100
ROA = EBITDA / Total Assets	129	134	121	112	100
ROE = EBITDA / Shareholder's fund	78	77	70	58	100
Profit Margin	125	130	117	104	100
Financial Leverage	60	57	58	52	100
Premise cost / EBITDA ratio	62	67	80	93	100
Staff cost / EBITDA ratio	64	63	79	96	100
Premise cost / Total Cost ratio	105	120	119	97	100
Staff cost / Total Cost ratio	108	112	117	100	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	2,464,129	2,106,490	1,513,358	1,142,581	475,957
Cost / EBITDA	52.2%	49.6%	59.4%	84.7%	88.4%
Total Cost / Total Income	34.3%	33.1%	37.3%	45.9%	46.9%
ROA = EBITDA / Total Assets	1.96%	2.04%	1.84%	1.70%	1.52%
ROE = EBITDA / Shareholder's fund	23.2%	22.8%	21.0%	17.3%	29.8%
Profit Margin	3.8%	4.0%	3.6%	3.2%	3.0%
Financial Leverage	11.84	11.21	11.38	10.16	19.59
Premise cost / EBITDA ratio	6.98%	7.54%	8.98%	10.45%	11.20%
Staff cost / EBITDA ratio	32.00%	31.42%	39.47%	48.23%	50.15%
Premise cost / Total Cost ratio	13.36%	15.20%	15.13%	12.33%	12.67%
Staff cost / Total Cost ratio	61.26%	63.37%	66.49%	56.94%	56.75%

Branch Network	1997	1996	1995	1994	1993
Branch Network - HongKong Island	39	39	38	38	36
Branch Network - Kowloon	33	29	28	28	28
Branch Network - New Territories	24	24	25	25	25
Total	96	92	91	91	89

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	8,640,086	6,850,146	5,424,315	3,483,933	1,701,263
Interest expense	(5,659,393)	(4,445,071)	(3,651,910)	(1,924,823)	(1,021,611)
Net interest income	2,980,693	2,405,075	1,772,405	1,559,110	679,652
Other operating income	770,511	745,870	639,336	551,276	216,924
Operating income	3,751,204	3,150,945	2,411,741	2,110,386	896,576
Operating expenses	(1,396,918)	(1,143,727)	(948,815)	(1,010,553)	(437,298)
Operating profit before provisions	2,354,286	2,007,218	1,462,926	1,099,833	459,278
Charge for bad and doubtful debts	(338,365)	(221,167)	(159,388)	(124,468)	(53,927)
Operating profit	2,015,921	1,786,051	1,303,538	975,365	405,351
Profit/loss on disposal of fixed assets and long term investments	353,961	-	-	-	-
Exceptional item	-	-	-	109,262	-
Share of profits of associated company	6,423	(3,434)	20,344	-	-
Profit before taxation	2,376,305	1,782,617	1,323,882	1,084,627	405,351
Taxation	(255,166)	(274,361)	(120,769)	(86,001)	(4,030)
Profit after taxation	2,121,139	1,508,256	1,203,113	998,626	401,321
Minority interests	(1,431)	(2,445)	-	(3,872)	-
Profit attributable to shareholders	2,119,708	1,505,811	1,203,113	994,754	401,321
Transfer to general reserve	-	-	(120,000)	-	-
Dividends	(770,000)	(616,000)	(465,856)	(450,000)	(260,000)
Profit for the year retained	1,349,708	889,811	617,257	544,754	141,321

	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	3.03	2.20	1.83		

Dao Heng Bank Group Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	41,650,051	37,655,489	26,477,387	23,303,190	12,335,223
Placements with banks and other financial institutions maturing between one and twelve months	6,712,813	2,126,313	3,077,933	751,703	592,238
Trade bills less provision	-	-	1,145,046	909,329	442,971
Certificates of deposit	1,120,248	531,523	296,785	-	-
Securities held for dealing purposes	947,042	239,119	-	-	-
Advances to customers and other accounts less provision	64,546,650	52,795,266	42,267,908	36,023,585	15,555,387
Investment securities	6,117,141	5,461,449	5,270,007	2,445,248	1,547,378
Investment in associated company	-	14,635	19,699	-	-
Tangible Fixed assets	3,086,725	3,827,689	3,658,738	3,613,016	818,928
Amount due from an associated company	-	9,331	-	-	-
Goodwill	-	-	-	-	-
Other Assets	1,304,586	819,472	-	-	10,287
Total assets	125,485,256	103,480,286	82,213,503	67,046,071	31,302,412
Liabilities					
Deposits and balances of banks and other financial institutions	5,000,155	4,789,079	5,869,389	5,907,616	2,916,750
Current, fixed, savings and other deposits of customers	91,274,545	77,501,238	65,084,326	52,278,401	24,828,440
Certificates of deposit issued	7,443,288	5,521,225	1,841,034	604,213	1,194,994
Other accounts and provisions	7,367,915	5,817,294	1,171,029	1,325,098	584,359
Interest in associated company	2,100	-	-	-	-
Amount due to an associated company	325,629	-	-	-	-
7.75% fixed rate subordinated notes	2,711,625	-	-	-	-
Long term bank loan	-	-	696,465	-	-
Proposed dividend	595,000	455,000	328,068	335,000	180,000
Total liabilities	114,720,257	94,083,836	74,990,311	60,450,328	29,704,543
Capital Resources					
Share capital	2,704,276	2,704,276	2,534,519	4,700,000	1,000,000
Reserves	7,896,604	6,530,141	4,688,673	1,895,992	597,869
Shareholders' funds	10,600,880	9,234,417	7,223,192	6,595,992	1,597,869
Minority interests	164,119	162,033	-	(249)	-
Total liabilities and capital resources	125,485,256	103,480,286	82,213,503	67,046,071	31,302,412

Dao Heng Bank Group Ltd.**Operating Profit****(a) Other operating income**

	1997	1996	1995	1994	1993
Net fees and commission income	601,224	533,209	449,636	272,515	103,129
Gains arising from dealing in foreign currencies	110,767	107,678	92,295	127,252	84,719
Gains arising from dealing activities	11,182	-	-	-	-
Dividend income from listed investments	25	83	254	1,531	614
Dividend income from unlisted investments	2,924	2,102	7,668	-	-
Rental Income	19,656	28,654	25,359	28,123	778
Property development	-	-	-	37,349	-
Others	24,733	74,144	64,124	84,506	27,684
	<u>770,511</u>	<u>745,870</u>	<u>639,336</u>	<u>551,276</u>	<u>216,924</u>

(b) Operating expenses**Staff costs**

Salaries and other staff costs	713,842	601,675	556,022	515,651	224,346
Retirement benefit costs	74,582	60,242	41,277	35,465	14,366
	<u>788,424</u>	<u>661,917</u>	<u>597,299</u>	<u>551,116</u>	<u>238,712</u>

Premises and equipment expenses, excluding depreciation

Depreciation	171,967	158,752	135,915	119,364	53,297
Depreciation	109,843	99,272	50,432	42,748	16,679
Auditor's remuneration	-	-	-	-	-
Others	326,684	223,786	165,169	297,325	128,610
	<u>1,396,918</u>	<u>1,143,727</u>	<u>948,815</u>	<u>1,010,553</u>	<u>437,298</u>

Bank of East Asia, Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	190	166	133	110	100
Cost / EBITDA	100	101	105	103	100
Total Cost / Total Income	100	100	104	102	100
ROA = EBITDA / Total Assets	102	105	102	98	100
ROE = EBITDA / Shareholder's fund	61	60	56	51	100
Profit Margin	82	92	91	92	100
Financial Leverage	60	57	54	52	100
Premise cost / EBITDA ratio	100	102	117	106	100
Staff cost / EBITDA ratio	97	99	106	106	100
Premise cost / Total Cost ratio	101	102	110	102	100
Staff cost / Total Cost ratio	98	98	99	103	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	2,860,940	2,498,641	1,999,188	1,645,442	1,502,287
Cost / EBITDA	51.8%	51.9%	54.3%	53.2%	51.7%
Total Cost / Total Income	34.9%	35.0%	36.4%	35.7%	34.9%
ROA = EBITDA / Total Assets	2.14%	2.21%	2.15%	2.07%	2.10%
ROE = EBITDA / Shareholder's fund	21.6%	21.4%	19.7%	18.1%	35.5%
Profit Margin	3.36%	3.78%	3.74%	3.78%	4.10%
Financial Leverage	10.07	9.67	9.18	8.76	16.89
Premise cost / EBITDA ratio	6.79%	6.91%	7.90%	7.14%	6.76%
Staff cost / EBITDA ratio	30.85%	31.26%	33.57%	33.72%	31.70%
Premise cost / Total Cost ratio	12.67%	12.84%	13.82%	12.88%	12.60%
Staff cost / Total Cost ratio	57.59%	58.10%	58.70%	60.86%	59.04%

Branch Network	1997	1996	1995	1994	1993
Branch Network - HongKong Island	-	29	29	28	25
Branch Network - Kowloon	-	27	22	26	24
Branch Network - New Territories	-	19	17	16	15
Total	-	75	68	70	64

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	9,395,705	7,494,171	6,661,011	4,719,291	3,671,727
Interest expense	(6,166,769)	(4,612,607)	(4,278,345)	(2,835,248)	(2,044,523)
Net interest income	3,228,936	2,881,564	2,382,666	1,884,043	1,627,204
Other operating income	1,164,863	961,587	759,684	672,983	681,603
Operating income	4,393,799	3,843,151	3,142,350	2,557,026	2,308,807
Operating expenses	(1,676,015)	(1,470,069)	(1,243,408)	(992,414)	(877,633)
Operating profit before provisions	2,717,784	2,373,082	1,898,942	1,564,612	1,431,174
Charge for bad and doubtful debts	(292,224)	(257,382)	(140,662)	(149,841)	(124,224)
Operating profit	2,425,560	2,115,700	1,758,280	1,414,771	1,306,950
Profit/loss on disposal of fixed assets and long term investments	175,290	41,420	30,438	6,504	57,802
Exceptional item	(172,881)	28,273	126,860	423,118	-
Share of profits of associated company	-	-	-	-	-
Profit before taxation	2,427,969	2,185,393	1,915,578	1,844,393	1,364,752
Taxation	(344,866)	(305,863)	(274,338)	(302,113)	(252,397)
Profit after taxation	2,083,103	1,879,530	1,641,240	1,542,280	1,112,355
Exchange Adjustment	-	(2,040)	(305)	-	-
Profit attributable to shareholders	2,083,103	1,877,490	1,640,935	1,542,280	1,112,355
Transfer to general reserve	(1,109,000)	(1,000,000)	(900,000)	(147,500)	(106,375)
Dividends	(973,680)	(881,160)	(739,456)	(661,415)	(578,134)
Profit for the year retained	423	(3,670)	1,479	733,365	427,846

	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	1.56	1.43	1.53	-	-

Bank of East Asia, Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	34,663,432	32,459,215	28,750,746	27,837,706	26,573,107
Placements with banks and other financial institutions maturing between one and twelve months	1,927,660	4,075,739	2,260,572	818,104	1,417,839
Trade bills less provision	1,950,825	1,797,113	1,503,032	927,478	685,812
Certificates of deposit	972,349	943,972	549,863	572,733	458,422
Securities held for dealing purposes	247,780	178,612	62,460	123,124	28,461
Advances to customers and other accounts less provision	84,905,455	65,757,997	53,273,097	43,419,825	36,491,288
Investment securities	4,287,920	3,171,427	2,315,462	2,821,352	2,773,412
Investment in associated company	662,657	683,281	615,326	340,865	142,910
Tangible Fixed assets	3,973,986	3,987,765	3,770,143	2,806,059	2,946,609
Goodwill	-	-	-	-	-
Total assets	133,592,064	113,055,121	93,100,701	79,667,246	71,517,860
Liabilities					
Deposits and balances of banks and other financial institutions	6,641,091	6,380,643	5,029,194	3,585,014	4,862,094
Current, fixed, savings and other deposits of customers	94,660,607	81,876,212	71,061,551	61,549,641	55,766,147
Convertible Bonds	2,324,400	2,320,500	1,000,000	1,000,000	600,000
Certificates of deposit issued	12,624,800	6,850,000	3,050,000	1,700,000	-
Floating rate notes issued	-	-	-	-	-
Other accounts and provisions	3,441,048	3,339,111	2,274,311	2,273,960	2,635,826
Proposed dividend	631,648	600,854	493,582	459,967	419,707
Total liabilities	120,323,594	101,367,320	82,908,638	70,568,582	64,283,774
Capital Resources					
Share capital	3,359,829	2,756,214	2,243,555	1,839,868	1,447,264
Reserves	9,908,641	8,931,587	7,894,508	7,258,796	2,786,822
Shareholders' funds	13,268,470	11,687,801	10,138,063	9,098,664	4,234,086
Minority interests	-	-	-	-	-
Total liabilities and capital resources	133,592,064	113,055,121	93,046,701	79,667,246	68,517,860

Bank of East Asia, Ltd.**Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	33,679,220	31,575,572	27,864,694	27,599,353	26,194,989
Placements with banks and other financial institutions maturing between one and twelve months	1,774,648	3,967,708	1,950,937	781,801	1,130,134
Trade bills	1,936,145	1,770,740	1,493,312	927,478	685,812
Certificates of deposit	868,662	879,633	495,485	544,026	395,640
Securities held for dealing purposes	207,729	121,055	62,404	123,018	26,887
Advances to customers and other accounts less provision	77,325,290	60,687,165	49,843,274	41,528,915	34,914,082
Amount due from subsidiaries	2,736,847	1,946,122	1,158,566	1,028,136	991,041
Investment securities	3,245,296	2,503,658	1,795,565	1,977,595	2,529,646
Investment in subsidiaries	2,947,623	2,395,607	2,320,238	740,420	453,666
Tangible fixed assets	352,182	2,351,471	2,147,717	2,033,163	1,957,699
Total assets	125,073,642	108,198,731	89,132,192	77,283,905	69,279,596
Liabilities					
Deposits and balances of banks and other financial institutions	6,601,428	6,380,352	5,028,018	3,585,014	4,862,094
Current, fixed, savings and other deposits of customers	81,429,295	69,365,381	60,861,432	55,119,628	54,071,638
Certificates of deposit issued	12,324,800	6,850,000	2,550,000	1,200,000	0
Bond Issued	2,324,400	2,320,500	1,000,000	1,000,000	0
Other accounts and provisions	3,151,564	2,974,064	2,044,993	2,056,766	2,432,895
Amount due to subsidiaries	7,996,583	8,499,247	7,373,991	5,190,826	586,278
Proposed dividend	631,648	600,854	493,582	459,967	419,707
Total liabilities	114,459,718	96,990,398	79,352,016	68,612,201	62,372,612
Shareholder's Fund					
Share capital	3,359,829	2,756,214	2,243,555	1,839,868	1,447,264
Reserves	9,254,095	8,451,669	7,536,621	6,831,836	5,459,720
Total shareholders' funds	12,613,924	11,207,883	9,780,176	8,671,704	6,906,984
Total liabilities and shareholders' funds	127,073,642	108,198,281	89,132,192	77,283,905	69,279,596

Bank of East Asia, Ltd.

Operating Profit	1997	1996	1995	1994	1993
(a) Other operating income					
Dividend income from listed investments	10,981	10,230	17,641	18,459	12,226
Dividend income from unlisted investments	32,729	15,715	6,274	5,595	49,779
Gains arising from dealing in foreign currencies	116,200	105,826	96,281	102,098	90,290
Gains arising from dealing activities	(52,944)	19,974	12,337	(3,048)	92,022
Net fees and commission income	899,172	671,606	508,475	464,181	357,649
Net Rental income from properties	76,442	72,889	-	-	-
Others	82,283	65,347	118,676	85,698	79,637
	<u>1,164,863</u>	<u>961,587</u>	<u>759,684</u>	<u>672,983</u>	<u>681,603</u>
(b) Operating expenses					
Staff costs					
Salaries and other staff costs	823,755	728,114	630,579	515,682	442,987
Retirement benefit costs	58,944	53,039	40,502	39,102	33,177
	<u>882,699</u>	<u>781,153</u>	<u>671,081</u>	<u>554,784</u>	<u>476,164</u>
Premises and equipment expenses, excluding depreciation	194,231	172,569	157,975	117,429	101,613
Depreciation	143,156	125,559	100,246	80,830	71,113
Others	455,929	390,788	314,106	239,371	228,743
	<u>1,676,015</u>	<u>1,470,069</u>	<u>1,243,408</u>	<u>992,414</u>	<u>877,633</u>

Hong Kong Chinese Bank Holding Co.Ltd.

Financial Performance Trends (1993=100)	1996	1995	1994	1993
EBITDA	248	205	175	100
Cost / EBITDA	104	89	95	100
Total Cost / Total Income	102	94	98	100
ROA = EBITDA / Total Assets	129	142	126	100
ROE = EBITDA / Shareholder's fund	187	162	146	100
Profit Margin	112	132	132	100
Financial Leverage	145	115	116	100
Premise cost / EBITDA ratio	56	73	75	100
Staff cost / EBITDA ratio	107	102	115	100
Premise cost / Total Cost ratio	54	81	79	100
Staff cost / Total Cost ratio	103	115	121	100

Financial Summary (Consolidated)	1996	1995	1994	1993
EBITDA	484,150	400,007	341,565	194,989
Cost / EBITDA	111.6%	95.3%	101.6%	106.8%
Total Cost / Total Income	52.7%	48.8%	50.4%	51.6%
ROA = EBITDA / Total Assets	2.04%	2.23%	1.99%	1.58%
ROE = EBITDA / Shareholder's fund	37.1%	32.1%	28.9%	19.8%
Profit Margin	3.1%	3.6%	3.6%	2.8%
Financial Leverage	18.20	14.38	14.51	12.56
Premise cost / EBITDA ratio	14.14%	18.33%	18.92%	25.21%
Staff cost / EBITDA ratio	50.42%	48.14%	53.88%	46.97%
Premise cost / Total Cost ratio	12.67%	19.23%	18.63%	23.62%
Staff cost / Total Cost ratio	45.20%	50.52%	53.05%	43.99%

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1996	1995	1994	1993
Interest income	1,609,216	1,478,969	997,006	517,879
Interest expense	(1,025,176)	(967,822)	(590,648)	(258,351)
Net interest income	584,040	511,147	406,358	259,528
Other operating income	440,260	270,030	282,113	143,657
Operating income	1,024,300	781,177	688,471	403,185
Operating expenses	(576,939)	(401,303)	(368,965)	(219,582)
Operating profit before provisions	447,361	379,874	319,506	183,603
Charge for bad and doubtful debts	(40,077)	(33,701)	(30,905)	(36,439)
Operating profit	407,284	346,173	288,601	147,164
Exceptional item	(24,616)	-	-	164,832
Share of profits of associated company	8,648	(10,535)	(2,232)	(325)
Profit before taxation	391,316	335,638	286,369	311,671
Taxation	(74,392)	(57,573)	(52,383)	(29,276)
Profit after taxation	316,924	278,065	233,986	282,395
Minority interests	(169,618)	(145,297)	(113,711)	(45,214)
Profit attributable to shareholders	147,306	132,768	120,275	237,181
Transfer to General Reserve	-	-	(100)	(100)
Dividends	(88,981)	(83,356)	(73,461)	(60,023)
Profit for the year retained	58,325	49,412	46,714	177,058

	HK\$	HK\$	HK\$	HK\$
Earnings per share	0.25	0.22	0.23	0.47

Hong Kong Chinese Bank Holding Co.Ltd.

Consolidated Balance Sheet

(Expressed in thousands of Hong Kong dollars)

	1996	1995	1994	1993
Assets				
Cash and short-term funds	4,719,177	4,917,838	5,649,759	4,062,691
Placements with banks and other financial institutions maturing between one and twelve months	560,385	417,488	569,891	709,741
Trade bills less provision	-	-	-	-
Certificates of deposit	379,898	178,178	127,478	107,958
Securities held for dealing purposes	242,396	12,710	10,278	-
Advances to customers and other accounts less provision	15,674,621	10,984,976	9,327,458	7,032,248
Investment in associated company	276,189	240,304	251,718	49,072
Investment securities	874,922	145,482	183,740	128,483
Tangible Fixed assets	1,019,177	1,029,148	1,011,520	280,958
Total assets	23,746,765	17,926,124	17,131,842	12,371,151
Liabilities				
Deposits and balances of banks and other financial institutions	409,500	190,265	921,914	521,812
Floating rate notes issued	389,725	386,610	-	-
Loans from financial institution	924,208	659,955	-	-
Current, fixed, savings and other deposits of customers	15,333,255	11,435,020	11,164,480	8,963,719
Certificates of deposit issued	2,207,540	1,670,800	1,692,000	624,000
Other accounts and provisions	1,849,465	1,131,232	1,069,508	374,671
Proposed dividend	-	-	-	-
Total liabilities	21,113,693	15,473,882	14,847,902	10,484,202
Capital Resources				
Share capital	593,233	593,013	599,429	500,195
Reserves	711,669	653,940	580,958	485,144
Shareholders' funds	1,304,902	1,246,953	1,180,387	985,339
Convertible notes	333,866	333,767	333,521	333,521
Minority interests	997,304	871,522	770,032	568,089
Total liabilities and capital resources	23,749,765	17,926,124	17,131,842	12,371,151

Hong Kong Chinese Bank Holding Co.Ltd.

Balance Sheet

(Expressed in thousands of Hong Kong dollars)

	1996	1995	1994	1993
Assets				
Cash and short-term funds	808	1,393	5,980	-
Placements with banks and other financial institutions maturing between one and twelve months	346,721	610,174	41,755	-
Trade bills	50,151	46,786	47,270	349
Investment associated companies	128,223	93,223	93,223	-
Investment in subsidiaries	615,355	404,100	901,530	997,475
Investment securities	96,885	49,726	142,275	38,312
Tangible fixed assets	225	291	68	76
Total assets	1,238,368	1,205,693	1,232,101	1,036,212
Liabilities				
Other accounts and provisions	131,879	55,597	67,378	68,382
Total liabilities	131,879	55,597	67,378	68,382
Shareholder's Fund				
Share capital	593,233	593,013	599,429	500,195
Reserves	513,256	557,083	565,294	467,635
Total shareholders' funds	1,106,489	1,150,096	1,164,723	967,830
Total liabilities and shareholders' funds	1,238,368	1,205,693	1,232,101	1,036,212

Operating Profit

(a) Other operating income

	1996	1995	1994	1993
Net fees and commission income	321,357	172,219	153,509	66,027
Gains arising from dealing in foreign currency	26,846	20,874	21,754	17,908
Gains arising from dealing activities	8,121	4,002	12,357	13,218
Dividend income from listed investments	1,512	1,640	1,218	436
Dividend income from unlisted investments	7	244	2,365	-
Rental income less outgoings from other prop	7,535	7,192	4,641	994
Gross rental income from investment properties	2,688	4,325	-	-
Others	72,194	59,534	86,269	45,074
	440,260	270,030	282,113	143,657

(b) Operating expenses

Staff costs				
Salaries and other staff costs	229,561	181,386	174,402	85,473
Retirement benefit costs	14,570	11,173	9,619	6,111
	244,131	192,559	184,021	91,584
Premises and equipment expenses, excluding depreciation	68,445	73,307	64,614	49,166
Depreciation	36,789	20,133	22,059	11,386
Auditor's remuneration	2,845	2,221	2,141	1,194
Others	224,729	113,083	96,130	66,252
	576,939	401,303	368,965	219,582

Liu Chong Hing Bank, Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	292	243	181	143	100
Cost / EBITDA	48	50	66	75	100
Total Cost / Total Income	62	64	78	84	100
ROA = EBITDA / Total Assets	147	143	134	121	100
ROE = EBITDA / Shareholder's fund	136	133	110	93	100
Profit Margin	124	110	121	111	100
Financial Leverage	69	71	62	68	100
Premise cost / EBITDA ratio	34	40	50	58	100
Staff cost / EBITDA ratio	53	55	72	78	100
Premise cost / Total Cost ratio	70	79	75	77	100
Staff cost / Total Cost ratio	110	110	109	103	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	871,337	724,694	539,157	424,973	298,126
Cost / EBITDA	36.3%	37.8%	50.1%	56.5%	75.4%
Total Cost / Total Income	26.7%	27.4%	33.4%	36.1%	43.0%
ROA = EBITDA / Total Assets	2.73%	2.66%	2.48%	2.24%	1.85%
ROE = EBITDA / Shareholder's fund	16.4%	16.1%	13.3%	11.2%	12.1%
Profit Margin	4.4%	3.9%	4.3%	4.0%	3.6%
Financial Leverage	6.51	6.73	5.88	6.43	9.45
Premise cost / EBITDA ratio	3.48%	4.10%	5.10%	5.93%	10.27%
Staff cost / EBITDA ratio	23.63%	24.52%	32.08%	34.43%	44.42%
Premise cost / Total Cost ratio	9.57%	10.83%	10.20%	10.50%	13.63%
Staff cost / Total Cost ratio	65.0%	64.8%	64.1%	60.9%	58.9%

Branch Network	1997	1996	1995	1994	1993
Branch Network - HongKong Island	11	11	11	11	-
Branch Network - Kowloon	16	16	16	15	-
Branch Network - New Territories	7	6	6	5	-
Total	34	33	33	31	-

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	2,496,203	1,801,622	1,547,957	1,034,512	790,543
Interest expense	(1,516,760)	(969,394)	(880,464)	(528,345)	(387,957)
Net interest income	979,440	832,228	667,493	506,167	402,586
Other operating income	208,543	166,654	141,617	158,953	120,225
Operating income	1,187,986	998,882	809,110	665,120	522,811
Operating expenses	(355,746)	(303,037)	(284,995)	(253,579)	(238,530)
Operating profit before provisions	832,240	695,845	524,115	411,541	284,281
Charge for bad and doubtful debts	(84,137)	(55,529)	(22,042)	(15,159)	(75)
Profit/loss on disposal of fixed assets	129	(60)	(705)	18,506	53,222
Net gain from disposal of long-term investments	5,245	27,440	33,389	-	-
Provision for diminution in value of long-term investments	(8,884)	-	-	-	-
Exceptional item	-	-	-	-	-
Operating profit	746,593	667,696	534,757	414,888	337,428
Share of profits of associated company	168	-	(5)	(382)	107
Profit before taxation	746,761	667,696	534,752	414,506	337,535
Taxation	(132,487)	(110,176)	(74,609)	(45,390)	(49,083)
Profit after taxation	614,274	557,520	460,143	369,116	288,452
Minority interests	-	-	-	-	-
Profit attributable to shareholders	614,274	557,520	460,143	369,116	288,452
Dividends	(291,750)	(252,000)	(200,000)	(108,000)	(37,500)
Profit for the year retained	322,524	305,520	260,143	261,116	250,952

	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	1.52	1.39	1.15	1.06	-

Liu Chong Hing Bank, Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	8,693,104	5,387,149	5,924,068	5,189,761	5,229,905
Placements with banks and other financial institutions maturing between one and twelve months	995,423	609,000	706,649	620,199	408,613
Trade bills less provision	-	-	-	-	-
Certificates of deposit	188,668	382,302	540,902	373,935	334,963
Advances to customers and other accounts less provision	19,645,548	18,413,128	12,495,157	10,725,750	8,378,968
Amount due from holding company	305,336	395,524	199,937	71,921	73,564
Investment	275,192	164,780	111,005	63,534	133,371
Interest in an associated company	243,087	166,797	149,051	131,818	26,284
Tangible fixed assets	1,591,969	1,762,601	1,643,140	1,777,215	1,502,429
Total assets	31,938,327	27,281,281	21,769,909	18,954,133	16,088,097
Liabilities					
Deposits and balances of banks and other financial institutions	1,215,753	877,254	1,494,196	1,906,234	1,760,532
Current, fixed, savings and other deposits of customers	23,730,363	20,155,227	15,282,134	12,700,548	11,206,938
Certificates of deposit issued	1,044,960	1,043,960	425,000	-	-
Amount due to holding company	40,344	21,499	-	-	-
Amount due to fellow subsidiaries	33,987	27,842	24,948	17,118	12,938
Other account and provision	372,628	467,139	336,236	441,976	596,435
Proposed dividend	195,750	180,000	140,000	108,000	37,500
Total liabilities	26,633,785	22,772,921	17,702,514	15,173,876	13,614,343
Capital Resources					
Share capital	217,500	200,000	200,000	200,000	150,000
Reserves	5,087,042	4,308,360	3,867,395	3,580,257	2,323,754
Shareholders' funds	5,304,542	4,508,360	4,067,395	3,780,257	2,473,754
Minority interests	-	-	-	-	-
Total liabilities and capital resources	31,938,327	27,281,281	21,769,909	18,954,133	16,088,097

Liu Chong Hing Bank, Ltd.**Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	8,690,099	5,384,144	5,924,065	5,189,758	5,229,903
Placements with banks and other financial institutions maturing between one and twelve months	995,423	609,000	706,649	620,199	408,612
Trade bills	-	-	-	-	-
Certificates of deposit	188,668	382,302	540,902	373,935	334,963
Advances to customers and other accounts less provision	19,059,614	17,744,108	11,913,631	10,119,660	7,630,522
Amount due from holding company	301,301	391,524	195,937	71,921	73,564
Investment securities	267,816	159,605	105,226	56,072	118,831
Investment in subsidiaries	585,794	627,924	610,378	615,088	533,890
Interest in associated company	241,686	166,965	149,219	131,981	-
Tangible fixed assets	838,766	897,103	838,684	704,208	644,359
Total assets	31,169,167	26,362,675	20,984,691	17,882,822	14,974,644
Liabilities					
Deposits and balances of banks and other financial institutions	715,753	377,254	994,195	1,395,643	1,249,941
Current, fixed, savings and other deposits of customers	23,532,376	19,962,791	15,169,050	12,627,164	11,135,305
Certificates of deposit issued	1,119,960	1,118,960	500,000	-	-
Other accounts and provisions	322,928	398,828	308,051	786,124	835,583
Amount due to holding company	40,344	21,499	-	-	-
Amount due to fellow subsidiaries	33,987	27,842	24,948	17,118	12,938
Amount due to subsidiaries	300,261	223,549	149,124	-	-
Interest in associated company	-	-	-	-	84
Proposed dividend	195,750	180,000	140,000	108,000	37,500
Total liabilities	26,261,359	22,310,723	17,285,368	14,934,049	13,271,351
Shareholder's Fund					
Share capital	217,500	200,000	200,000	200,000	150,000
Reserves	4,690,308	3,851,952	3,499,323	2,748,773	1,553,294
Total shareholders' funds	4,907,808	4,051,952	3,699,323	2,948,773	1,703,294
Total liabilities and shareholders' funds	31,169,167	26,362,675	20,984,691	17,882,822	14,974,645

Operating Profit**(a) Other operating income**

	1997	1996	1995	1994	1993
Net fees and commission income	133,442	89,797	65,519	66,526	59,990
Dividend income from listed investments	4,543	7,821	3,738	3,839	5,379
Dividend income from unlisted investments	1,400	1,320	780	1,150	320
Gains arising from dealing in foreign currencies	12,647	16,246	15,755	15,866	16,502
Gains arising from dealing activities	-	-	-	326	72
Lease rentals	10,157	12,438	15,772	17,961	14,929
Safe deposit box rentals	15,779	14,868	14,107	11,800	10,717
Other banking services income	14,014	13,190	12,415	12,835	9,018
Others	16,561	6,346	13,531	28,650	3,298
	208,543	162,026	141,617	158,953	120,225

(b) Operating expenses

Staff costs					
Salaries and other staff costs	191,642	163,837	140,341	129,819	116,711
Retirement benefit costs	14,287	13,843	32,615	16,495	15,724
	205,929	177,680	172,956	146,314	132,435
Premises and equipment expenses, excluding depreciation	30,296	29,688	27,523	25,209	30,632
Depreciation	39,097	28,849	15,042	13,432	13,845
Auditor's remuneration	2,242	2,288	2,331	2,261	1,998
Others	78,182	64,532	67,143	66,363	59,620
	355,746	303,037	284,995	253,579	238,530

International Bank of Asia, Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	223	201	157	130	100
Cost / EBITDA	79	66	78	85	100
Total Cost / Total Income	88	79	87	92	100
ROA = EBITDA / Total Assets	81	105	105	101	100
ROE = EBITDA / Shareholder's fund	108	107	121	116	100
Profit Margin	76	101	104	102	100
Financial Leverage	133	101	116	115	100
Premise cost / EBITDA ratio	44	62	58	52	100
Staff cost / EBITDA ratio	88	80	87	90	100
Premise cost / Total Cost ratio	56	94	74	61	100
Staff cost / Total Cost ratio	112	120	112	106	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	567,225	510,957	399,080	330,357	254,361
Cost / EBITDA	71.9%	60.5%	71.4%	78.0%	91.2%
Total Cost / Total Income	41.8%	37.7%	41.7%	43.8%	47.7%
ROA = EBITDA / Total Assets	1.74%	2.27%	2.25%	2.18%	2.16%
ROE = EBITDA / Shareholder's fund	22.7%	22.6%	25.6%	24.5%	21.1%
Profit Margin	2.8%	3.7%	3.8%	3.7%	3.7%
Financial Leverage	13.05	9.95	11.38	11.24	9.81
Premise cost / EBITDA ratio	5.76%	8.07%	7.50%	6.79%	12.98%
Staff cost / EBITDA ratio	42.02%	38.07%	41.72%	43.17%	47.77%
Premise cost / Total Cost ratio	8.01%	13.35%	10.50%	8.70%	14.22%
Staff cost / Total Cost ratio	58.45%	62.96%	58.42%	55.35%	52.35%

Branch Network	1997	1996	1995	1994	1993
Branch Network - HongKong Island	11	10	10	9	9
Branch Network - Kowloon	10	9	9	9	7
Branch Network - New Territories	8	6	5	5	5
Total	29	25	24	23	21

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	2,145,564	1,472,517	1,272,373	879,395	610,506
Interest expense	(1,408,038)	(831,641)	(731,040)	(439,652)	(240,433)
Net interest income	737,526	640,876	541,333	439,743	370,073
Other operating income	237,473	179,092	142,765	148,273	116,353
Operating income	974,999	819,968	684,098	588,016	486,426
Operating expenses	(432,729)	(326,106)	(294,554)	(265,863)	(239,625)
Operating profit before provisions	542,270	493,862	389,544	322,153	246,801
Charge for bad and doubtful debts	(54,171)	(59,129)	(24,116)	(21,765)	(12,971)
Operating profit	488,099	434,733	365,428	300,388	233,830
Interest on subordinated long term loan	-	-	-	-	(23,074)
Exceptional item	-	-	-	-	-
Share of profits of associated company	-	-	-	-	-
Profit before taxation	488,099	434,733	365,428	300,388	210,756
Taxation	(87,711)	(71,895)	(58,090)	(49,000)	(38,763)
Profit after taxation	400,388	362,838	307,338	251,388	171,993
Minority interests	-	-	-	-	(105)
Profit attributable to shareholders	400,388	362,838	307,338	251,388	171,888
Dividends	(164,103)	(150,221)	(120,204)	(100,170)	(63,600)
Profit for the year retained	236,285	212,617	187,134	151,218	108,288

	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	0.54	0.56	0.48	0.40	-

International Bank of Asia, Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	8,677,846	5,230,204	4,319,426	3,807,498	2,667,781
Placements with banks and other financial institutions maturing between one and twelve months	15,307	156,806	5,000	4,555	15,274
Trade bills less provision	443,400	614,926	410,404	374,270	186,438
Certificates of deposit	-	-	-	-	-
Securities held for dealing purposes	-	-	-	-	-
Advances to customers and other accounts less provision	20,127,891	13,724,498	10,360,977	8,808,924	6,898,974
Accrued interest and other accounts	-	-	-	172,653	303,745
Investment securities	976,903	766,852	535,080	195,971	228,224
Investment in associated company	4,897	4,897	2,053	2,053	-
Premise and equipment	1,157,218	1,008,184	881,780	828,668	711,102
Liabilities of customers for engagements	1,149,192	969,371	1,204,227	960,666	790,619
Total assets	32,552,654	22,475,738	17,718,947	15,155,258	11,802,157
Liabilities					
Deposits and balances of banks and other financial institutions	4,231,505	549,493	1,025,007	933,498	922,453
Current, fixed, savings and other deposits of customers	20,622,902	15,089,106	11,150,061	9,474,136	6,839,889
Certificates of deposit issued	3,453,283	3,087,052	2,382,855	2,089,253	1,570,995
Floating rate notes issued	-	-	-	-	-
Other accounts and provisions	600,520	521,349	399,671	349,324	474,845
Engagements on behalf of customers	1,149,192	969,371	1,204,227	960,666	790,619
Total liabilities	30,057,402	20,216,371	16,161,821	13,806,877	10,598,801
Capital Resources					
Share capital	745,920	745,920	636,000	636,000	636,000
Share premium	385,306	385,706	-	-	-
Reserves	1,364,026	1,127,741	921,126	712,381	567,356
Shareholders' funds	2,495,252	2,259,367	1,557,126	1,348,381	1,203,356
Minority interests	-	-	-	-	-
Total liabilities and capital resources	32,552,654	22,475,738	17,718,947	15,155,258	11,802,157

International Bank of Asia, Ltd.

Balance Sheet

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	8,677,708	5,046,487	4,319,284	3,807,305	2,667,591
Placements with banks and other financial institutions maturing between one and twelve months	15,307	156,806	5,000	4,555	15,274
Trade bills	387,398	594,958	392,482	346,189	155,739
Certificates of deposit	-	-	-	-	-
Securities held for dealing purposes	-	-	-	-	-
Advances to customers and other accounts less provision	17,703,814	11,978,222	9,050,964	7,879,325	6,117,652
Accrued interest and other accounts	316,692	601,732	182,378	127,961	145,343
Investment securities	974,883	614,196	523,984	184,858	207,592
Investment in associated company	4,897	4,897	2,053	2,053	-
Investment in subsidiaries	130,811	130,811	130,811	130,811	105,811
Amount due from subsidiaries	1,846,949	1,214,069	898,475	823,540	675,003
Premise & equipment	1,120,356	935,711	808,079	772,724	691,358
Liabilities of customer for engagements	1,149,192	969,371	1,204,227	960,666	790,619
Total assets	32,328,007	22,247,260	17,517,737	15,039,987	11,571,982
Liabilities					
Deposits and balances of banks and other financial institutions	4,231,505	549,493	1,025,007	933,498	922,453
Current, fixed, savings and other deposits of customers	18,001,855	12,693,631	9,414,788	8,114,969	6,392,646
Certificates of deposit issued	3,453,283	3,087,052	2,382,855	2,089,253	1,570,995
Floating rate notes issued	-	-	-	-	-
Other accounts and provisions	476,715	349,239	304,590	270,865	288,276
Amount due to subsidiaries	2,721,747	2,499,341	1,806,096	1,423,204	491,035
Proposed dividend	-	-	-	-	-
Engagement on behalf of customers	1,149,192	969,371	1,204,227	960,666	790,619
Total liabilities	30,034,297	20,148,127	16,137,563	13,792,455	10,456,024
Shareholder's Fund					
Share capital	1,131,226	1,131,626	636,000	636,000	636,000
Reserves	1,162,484	967,507	744,174	611,532	479,958
Total shareholders' funds	2,293,710	2,099,133	1,380,174	1,247,532	1,115,958
Total liabilities and shareholders' funds	32,328,007	22,247,260	17,517,737	15,039,987	11,571,982

	1997	1996	1995	1994	1993
Operating Profit					
(a) Other operating income					
Net fees and commission income	185,175	115,576	93,980	91,049	79,220
Gains arising from dealing in foreign currencies	13,395	9,279	7,723	7,596	7,669
Profit on sale of investment property	-	8,316	-	13,329	-
Dividend income from unlisted investments	986	2,533	644	763	541
Rental income less outgoings	1,885	1,819	1,029	1,221	875
Others	36,032	41,569	39,389	34,315	28,048
	237,473	179,092	142,765	57,224	116,353
(b) Operating expenses					
Staff costs					
Salaries and other staff costs	224,745	184,421	158,246	134,277	115,217
Retirement benefit costs	13,608	10,117	8,267	8,342	6,280
	238,353	194,538	166,513	142,619	121,497
Premises and equipment expenses, excluding depreciation	32,664	41,250	29,939	22,422	33,007
Depreciation	24,955	17,095	9,536	8,204	7,560
Auditor's remuneration	1,300	1,195	1,116	989	932
Others	135,457	72,028	87,450	91,629	76,629
	432,729	326,106	294,554	265,863	239,625

Dah Sing Bank, Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	227	217	156	100	100
Cost / EBITDA	85	77	91	135	100
Total Cost / Total Income	91	86	95	116	100
ROA = EBITDA / Total Assets	112	118	99	74	100
ROE = EBITDA / Shareholder's fund	95	111	93	76	100
Profit Margin	82	98	92	74	100
Financial Leverage	84	94	94	103	100
Premise cost / EBITDA ratio	91	92	107	128	100
Staff cost / EBITDA ratio	89	80	102	145	100
Premise cost / Total Cost ratio	108	120	118	95	100
Staff cost / Total Cost ratio	105	105	112	108	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	795,134	763,332	547,751	349,478	350,965
Cost / EBITDA	76.1%	69.0%	82.3%	121.2%	90.0%
Total Cost / Total Income	43.2%	40.8%	45.1%	54.8%	47.4%
ROA = EBITDA / Total Assets	1.98%	2.08%	1.75%	1.31%	1.76%
ROE = EBITDA / Shareholder's fund	24.0%	28.2%	23.7%	19.4%	25.4%
Profit Margin	2.9%	3.4%	3.2%	2.6%	3.5%
Financial Leverage	12.15	13.54	13.53	14.80	14.42
Premise cost / EBITDA ratio	14.75%	14.87%	17.33%	20.70%	16.13%
Staff cost / EBITDA ratio	47.75%	43.19%	54.85%	77.93%	53.70%
Premise cost / Total Cost ratio	19.37%	21.54%	21.06%	17.08%	17.92%
Staff cost / Total Cost ratio	62.72%	62.58%	66.66%	64.30%	59.68%

Branch Network	1997	1996	1995	1994	1993
Branch Network - HongKong Island	13	13	13	13	16
Branch Network - Kowloon	16	16	16	17	20
Branch Network - New Territories	15	15	15	14	15
Total	44	44	44	44	51

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	3,206,482	2,725,860	2,340,238	1,638,103	1,166,253
Interest expense	(2,091,672)	(1,642,522)	(1,495,381)	(943,649)	(614,866)
Net interest income	1,114,810	1,083,338	844,857	694,454	551,387
Other operating income	285,740	206,903	153,594	78,580	115,385
Operating income	1,400,550	1,290,241	998,451	773,034	666,772
Operating expenses	(671,881)	(572,872)	(489,976)	(457,196)	(339,271)
Operating profit before provisions	728,669	717,369	508,475	315,838	327,501
Charge for bad and doubtful debts	(67,871)	(92,561)	(70,341)	(68,442)	(15,566)
Operating profit	660,798	624,808	438,134	247,396	311,935
Profit/loss on disposal of fixed assets and long term investments	8,551	6,564	17,760	428,529	-
Exceptional item	-	-	-	42,970	-
Share of profits of associated company	-	-	-	-	-
Profit before taxation	669,349	631,372	455,894	718,895	311,935
Taxation	(88,459)	(113,754)	(43,330)	(25,635)	(57,162)
Profit after taxation	580,890	517,618	412,564	693,260	254,773
Minority interests	(8,618)	(8,286)	(6,563)	(1,170)	(246)
Profit attributable to shareholders	572,272	509,332	406,001	692,090	254,527
Transfer to general reserve	-	-	-	(203,000)	(101,750)
Dividends	(250,480)	(109,200)	(107,000)	(390,000)	(120,000)
Profit for the year retained	321,792	400,132	299,001	99,090	32,777

Dah Sing Bank, Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	7,301,363	7,208,164	9,112,149	8,741,085	5,482,727
Placements with banks and other financial institutions maturing between one and twelve months	84,521	95,581	645,021	947,134	1,452,190
Trade bills less provision	693,351	615,701	430,830	343,303	308,632
Certificates of deposit	268,716	153,206	108,301	-	-
Securities held for dealing purposes	49,148	-	20,986	210,616	1,386,610
Advances to customers and other accounts less provision	27,765,166	22,307,879	17,050,077	13,449,371	10,051,528
Investment securities	2,599,290	5,145,361	2,735,890	1,788,035	87,004
Tangible Fixed assets	1,457,519	1,175,494	1,147,089	1,194,665	1,150,503
Total assets	40,219,074	36,701,386	31,250,343	26,674,209	19,919,194
Liabilities					
Deposits and balances of banks and other financial institutions	1,055,618	1,164,867	3,211,360	2,941,093	2,865,739
Current, fixed, savings and other deposits of customers	27,937,705	26,137,343	22,019,180	18,201,567	13,811,257
Certificates of deposit issued	5,826,958	5,182,808	3,015,965	2,693,076	1,258,521
Other accounts and provisions	1,958,631	1,376,388	567,428	915,163	602,032
Total liabilities	36,778,912	33,861,406	28,813,933	24,750,899	18,537,549
Capital Resources					
Share capital	800,000	500,000	500,000	500,000	500,000
Reserves	2,509,141	2,211,537	1,810,453	1,302,352	881,645
Shareholders' funds	3,309,141	2,711,537	2,310,453	1,802,352	1,381,645
Minority interests	131,021	128,443	125,957	120,958	-
Total liabilities and capital resources	40,219,074	36,701,386	31,250,343	26,674,209	19,919,194

Dah Sing Bank, Ltd.**Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	6,442,301	6,577,760	8,523,598	8,235,564	5,495,908
Placements with banks and other financial institutions maturing between one and twelve months	99,521	150,581	720,021	435,234	3,245,190
Trade bills	566,083	492,598	354,504	364,953	288,626
Certificates of deposit	379,598	273,953	109,837	-	0
Securities held for dealing purposes	49,148	-	20,986	210,616	1,386,610
Advances to customers and other accounts less provision	26,014,878	20,561,171	15,693,874	12,526,780	7,873,387
Investment securities	2,338,411	4,960,044	2,561,352	1,786,062	85,044
Investment in subsidiaries	252,181	274,096	280,925	216,027	243,552
Tangible fixed assets	1,389,250	1,123,733	1,132,456	1,184,208	816,934
Total assets	37,531,371	34,413,936	29,397,553	24,959,444	19,435,251
Liabilities					
Deposits and balances of banks and other financial institutions	773,023	1,207,503	3,289,795	2,833,198	3,555,210
Current, fixed, savings and other deposits of customers	26,445,356	24,602,409	20,531,311	17,090,692	12,902,594
Certificates of deposit issued	5,180,700	4,616,805	2,770,965	2,438,076	1,258,521
Other accounts and provisions	1,875,180	1,307,089	519,866	861,718	557,028
Total liabilities	34,274,259	31,733,806	27,111,937	23,223,684	18,273,353
Shareholder's Fund					
Share capital	800,000	500,000	500,000	500,000	500,000
Reserves	2,457,112	2,180,130	1,785,616	1,235,760	661,898
Total shareholders' funds	3,257,112	2,680,130	2,285,616	1,735,760	1,161,898
Total liabilities and shareholders' funds	37,531,371	34,413,936	29,397,553	24,959,444	19,435,251

Operating Profit	1997	1996	1995	1994	1993
(a) Other operating income					
Net fees and commission income	215,430	129,108	85,793	27,383	23,385
Gains arising from dealing in foreign currencies	45,864	39,032	34,915	27,744	21,288
Gains arising from dealing activities	1,221	24,728	5,446	(59,704)	10,961
Dividend income from listed investments	193	770	-	56	-
Dividend income from unlisted investments	980	920	740	775	360
Gross rental income from investment properties	3,139	3,336	4,870	-	-
Other rental income	3,958	4,118	3,893	10,748	6,118
Others	14,955	4,891	17,937	71,578	53,273
	285,740	206,903	153,594	78,580	115,385
Staff costs					
Salaries and other staff costs	357,337	309,234	282,545	255,338	176,957
Retirement benefit costs	22,363	20,483	17,901	17,003	11,524
	379,700	329,717	300,446	272,341	188,481
Premises and equipment expenses, excluding depreciation	117,247	113,479	94,935	72,330	56,602
Depreciation	66,465	45,963	39,276	33,640	23,464
Auditor's remuneration	2,228	2,096	1,924	1,644	2,105
Others	106,241	81,617	53,395	77,241	68,619
	671,881	572,872	489,976	457,196	339,271

First Pacific Bank Holding Co. Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	226	221	155	108	100
Cost / EBITDA	90	84	108	99	100
Total Cost / Total Income	81	77	89	99	100
ROA = EBITDA / Total Assets	107	121	100	93	100
ROE = EBITDA / Shareholder's fund	87	128	103	99	100
Profit Margin	87	111	97	96	100
Financial Leverage	82	106	103	106	100
Premise cost / EBITDA ratio	63	59	78	85	100
Staff cost / EBITDA ratio	69	65	80	103	100
Premise cost / Total Cost ratio	70	70	72	85	100
Staff cost / Total Cost ratio	76	78	74	104	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	567,196	553,604	388,896	271,435	250,484
Cost / EBITDA	74.2%	68.9%	88.6%	81.5%	82.3%
Total Cost / Total Income	42.6%	40.8%	47.0%	52.4%	52.9%
ROA = EBITDA / Total Assets	1.83%	2.06%	1.71%	1.59%	1.71%
ROE = EBITDA / Shareholder's fund	19.8%	28.9%	23.3%	22.3%	22.6%
Profit Margin	2.5%	3.2%	2.8%	2.7%	2.9%
Financial Leverage	10.81	14.05	13.65	14.03	13.24
Premise cost / EBITDA ratio	10.91%	10.13%	13.44%	14.58%	17.23%
Staff cost / EBITDA ratio	43.92%	41.73%	51.09%	65.95%	64.09%
Premise cost / Total Cost ratio	14.70%	14.70%	15.18%	17.88%	20.94%
Staff cost / Total Cost ratio	59.15%	60.54%	57.68%	80.92%	77.88%

Capitalization (in thousands of Hong Kong dollars)	1997	1996	1995	1994	1993
Total	27	27	26	26	24

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	2,510,146	2,102,221	1,651,415	1,117,366	882,551
Interest expense	(1,730,366)	(1,339,680)	(1,087,495)	(696,484)	(497,894)
Net interest income	779,780	762,541	563,920	420,882	384,657
Other operating income	208,524	172,629	169,476	149,807	147,455
Operating income	988,304	935,170	733,396	570,689	532,112
Operating expenses	(447,770)	(405,801)	(364,613)	(319,115)	(302,539)
Operating profit before provisions	540,534	529,369	368,783	251,574	229,573
Provision for Contingent liability & Commitment	-	-	-	(7,202)	(9,882)
Charge for bad and doubtful debts	(79,402)	(90,118)	(52,989)	(22,111)	(43,031)
Operating profit	461,132	439,251	315,794	222,261	176,660
Profit/loss on disposal of fixed assets and long term investments	-	-	-	-	12,245
Exceptional item	-	-	-	-	-
Interest on subordinated loan note	(8,924)	(7,613)	(2,956)	-	-
Profit before taxation	452,208	431,638	312,838	222,261	188,905
Taxation	(62,000)	(81,000)	(57,600)	(39,000)	(21,805)
Profit after taxation	390,208	350,638	255,238	183,261	167,100
Minority interests	-	-	-	-	-
Profit attributable to shareholders	390,208	350,638	255,238	183,261	167,100
Transfer to general reserve	-	-	-	-	-
Dividends	(124,800)	(107,300)	(89,059)	(72,964)	-
Profit for the year retained	265,408	243,338	166,179	110,297	167,100

Earnings per share

HK\$ HK\$ HK\$ HK\$ HK\$

First Pacific Bank Holding Co. Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	5,925,017	6,987,994	6,221,651	5,003,493	4,501,173
Placements with banks and other financial institutions maturing between one and twelve months	-	23,205	178,196	888,898	46,257
Trade bills less provision	-	-	-	-	-
Certificates of deposit	956,672	584,174	626,051	-	78,182
Securities held for dealing purposes	4,368	3,089	8,324	9,940	-
Advances to customers and other accounts less provision	22,639,756	17,339,039	14,019,760	9,860,637	8,725,749
Investment securities	312,309	819,490	660,810	524,101	476,141
Investment in associated company	-	-	-	-	-
Tangible Fixed assets	1,109,900	1,061,096	1,030,339	668,831	674,277
Goodwill	-	-	-	82,961	87,426
Customer Liability for acceptance	60,138	55,255	39,831	42,153	65,522
Total assets	31,008,160	26,873,342	22,784,962	17,081,014	14,654,727
Liabilities					
Deposits and balances of banks and other financial institutions	784,509	160,791	351,277	342,899	524,774
Current, fixed, savings and other deposits of customers	24,630,651	22,776,044	20,014,153	15,215,635	12,708,269
Certificates of deposit issued	2,157,736	1,466,665	300,000	-	-
Acceptance outstanding	60,138	55,255	39,381	42,153	65,522
Other accounts and provisions	387,075	337,899	281,064	216,613	189,193
Medium Term Loans	-	-	-	-	40,500
Proposed dividend	69,888	64,380	54,723	46,139	19,314
Total liabilities	28,089,997	24,861,034	21,040,598	15,863,439	13,547,572
Capital Resources					
Share capital	1,248,000	1,073,000	1,073,000	1,073,000	1,073,000
Reserves	1,620,163	839,308	595,914	144,575	34,155
Shareholders' funds	2,868,163	1,912,308	1,668,914	1,217,575	1,107,155
Subordinated loan note	50,000	100,000	75,000	-	-
Total liabilities and capital resources	31,008,160	26,873,342	22,784,512	17,081,014	14,654,727

Operating Profit**(a) Other operating income**

	1997	1996	1995	1994	1993
Net fees and commission income	152,887	119,510	122,394	119,866	91,921
Gross rental income from investment properties	18,089	19,997	15,970	-	-
Net gain on foreign exchange trading	10,371	11,477	9,254	9,423	10,948
Net gain on securities dealing	(4,831)	1,953	4,933	(1,166)	2,563
Net gain on disposal of debt securities	8,296	-	-	-	-
Dividends from unlisted investments	1,063	664	767	1,182	1,344
Dividends from listed investments	471	344	711	27	-
Others	22,178	18,684	15,447	-	-
	37,548	33,122	169,476	9,466	14,855

(b) Operating expenses

Staff costs					
Salaries and other staff costs	234,340	226,111	198,697	179,012	160,528
Retirement benefit costs	14,757	4,892	-	-	-
	249,097	231,003	198,697	179,012	160,528
Premises and equipment expenses, excluding depreciation	61,885	56,098	52,286	39,566	43,169
Depreciation	26,662	24,235	20,113	19,861	20,911
Auditor's remuneration	-	-	-	2,656	2,417
Others	110,126	94,465	93,517	-	-
	447,770	405,801	364,613	241,095	227,025

CITIC Ka Wah Bank

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	196	138	114	101	100
Cost / EBITDA	84	103	107	111	100
Total Cost / Total Income	87	100	104	106	100
ROA = EBITDA / Total Assets	103	92	81	85	100
ROE = EBITDA / Shareholder's fund	59	89	91	85	100
Profit Margin	106	94	85	93	100
Financial Leverage	57	98	113	100	100
Premise cost / EBITDA ratio	50	81	92	108	100
Staff cost / EBITDA ratio	89	109	115	117	100
Premise cost / Total Cost ratio	59	78	87	97	100
Staff cost / Total Cost ratio	106	106	107	106	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	791,221	555,933	461,912	406,522	404,186
Cost / EBITDA	54.1%	66.3%	68.7%	71.2%	64.3%
Total Cost / Total Income	29.8%	34.2%	35.5%	36.4%	34.1%
ROA = EBITDA / Total Assets	2.29%	2.05%	1.80%	1.90%	2.22%
ROE = EBITDA / Shareholder's fund	16.4%	24.6%	25.1%	23.5%	27.6%
Profit Margin = EBITDA / (Total advances + Bad & Doubtful Debts)	4.00%	3.54%	3.22%	3.52%	3.76%
Financial Leverage	7.59	12.94	14.99	13.30	13.24
Premise cost / EBITDA ratio	5.02%	8.11%	9.28%	10.83%	10.04%
Staff cost / EBITDA ratio	28.35%	34.81%	36.55%	37.37%	31.91%
Premise cost / Total Cost ratio	9.28%	12.23%	13.51%	15.21%	15.61%
Staff cost / Total Cost ratio	52.37%	52.48%	53.19%	52.48%	49.62%

Branch Network Summary	1997	1996	1995	1994	1993
Branch Network - HongKong Island	11	10	10	10	9
Branch Network - Kowloon	16	16	15	15	13
Branch Network - New Territories	8	7	6	6	6
Total	35	33	31	31	28

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	2,493,686	1,890,437	1,893,453	1,271,022	1,049,605
Interest expense	(1,663,106)	(1,262,474)	(1,373,723)	(794,268)	(604,361)
Net interest income	830,580	627,963	519,730	476,754	445,244
Other operating income	297,304	216,579	196,721	162,114	168,546
Operating income	1,127,884	844,542	716,451	638,868	613,790
Operating expenses	(382,488)	(328,643)	(285,963)	(260,893)	(234,757)
Operating profit before provisions	745,396	515,899	430,488	377,975	379,033
Charge for bad and doubtful debts	(210,088)	(50,497)	(58,555)	(52,090)	(97,862)
Operating profit	535,308	465,402	371,933	325,885	281,171
Profit/loss on disposal of fixed assets and long-term investments	29,545	(10,347)	4,136	(1,259)	799
Exceptional item	-	-	-	-	-
Share of profits of associated company	-	-	-	-	-
Profit before taxation	564,853	455,055	376,069	324,626	281,970
Taxation	(48,836)	(45,598)	(56,674)	(60,960)	(66,353)
Profit after taxation	516,017	409,457	319,395	263,666	215,617
Minority interests	-	-	-	-	-
Profit attributable to shareholders	516,017	409,457	319,395	263,666	215,617
Dividends	(39,310)	(27,748)	(24,578)	(21,785)	(19,364)
Profit for the year retained	476,707	381,709	294,817	241,881	196,253

	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	0.38	0.33	0.33	0.27	-

CITIC Ka Wah Bank**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	8,461,689	7,330,419	7,516,986	3,866,011	4,797,084
Placements with banks and other financial institutions maturing between one and twelve months	1,848,274	1,219,995	1,967,284	4,157,852	1,279,938
Trade bills and certificates of deposit	2,133,725	1,484,803	612,571	757,853	603,718
Securities held for dealing purposes	5,083	2,496	2,376	7,184	1,571
Advances to customers and other accounts less provision	19,576,677	15,645,904	14,295,461	11,512,654	10,639,805
Investment securities	1,600,159	557,185	490,562	385,153	264,613
Investment in associated company	1,555	3,992	6,545	4,463	4,463
Tangible Fixed assets	917,744	879,086	828,931	727,268	603,422
Goodwill	-	-	-	-	-
Total assets	34,544,906	27,123,880	25,720,716	21,418,438	18,194,614
Liabilities					
Deposits and balances of banks and other financial institutions	1,275,139	1,895,769	2,260,493	1,036,497	807,075
Current, fixed, savings and other deposits of customers	22,912,873	19,073,336	18,687,559	14,360,117	13,585,767
Certificates of deposit issued	3,100,775	2,148,263	1,146,091	2,848,389	1,649,691
Issued debt securities	1,487,516	1,006,192	1,005,414	773,994	-
Other accounts and provisions	1,179,112	876,994	880,972	767,748	758,921
Proposed dividend	39,270	27,716	24,578	21,785	19,364
Total liabilities	29,994,685	25,028,270	24,005,107	19,808,530	16,820,818
Capital Resources					
Loan capital	-	-	-	198,664	198,357
Share capital	1,570,805	1,108,537	983,107	871,384	774,564
Reserves	2,979,416	987,073	732,502	539,860	400,878
Shareholders' funds	4,550,221	2,095,610	1,715,609	1,609,908	1,373,799
Minority interests	-	-	-	-	-
Total liabilities and capital resources	34,544,906	27,123,880	25,720,716	21,418,438	18,194,617

CITIC Ka Wah Bank

Balance Sheet

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	8,434,284	7,290,154	7,494,674	3,838,579	4,765,605
Placements with banks and other financial institutions maturing between one and twelve months	1,825,019	1,150,336	1,861,401	4,088,193	1,279,938
Trade bills and certificates of deposits	1,827,447	1,196,664	386,167	549,654	430,718
Advances to customers and other accounts less provision	14,863,941	11,713,431	11,057,064	8,494,713	7,432,787
Investment securities	1,371,262	545,302	482,194	376,819	255,173
Amount due from subsidiaries	4,635,331	3,882,573	3,375,944	2,991,707	3,154,100
Investment in subsidiaries	467,331	430,807	332,819	262,819	-
Tangible fixed assets	804,068	766,527	734,026	704,142	593,663
Total assets	34,228,683	26,975,794	25,724,289	21,306,626	17,911,984
Liabilities					
Deposits and balances of banks and other financial institutions	1,275,139	1,895,769	2,255,568	1,031,049	804,960
Current, fixed, savings and other deposits of customers	22,873,113	18,970,524	18,568,496	14,243,118	13,577,800
Certificates of deposit issued	3,100,775	2,148,263	1,146,091	2,848,389	1,649,691
Issued debt securities	1,487,516	1,006,192	1,005,414	773,994	-
Other accounts and provisions	1,069,345	777,842	829,933	713,500	570,899
Amount due to subsidiaries	419,207	391,456	421,801	220,235	-
Proposed dividend	39,270	27,716	24,578	21,785	19,364
Total liabilities	30,264,365	25,217,762	24,251,881	19,852,070	16,622,714
Shareholder's Fund					
Loan capital	-	-	-	198,664	198,357
Share capital	1,570,805	1,108,537	983,107	871,384	774,564
Reserves	2,393,513	649,495	489,301	384,508	316,349
Total shareholders' funds	3,964,318	1,758,032	1,472,408	1,454,556	1,289,270
Total liabilities and shareholders' funds	34,228,683	26,975,794	25,724,289	21,306,626	17,911,984

	1997	1996	1995	1994	1993
Operating Profit					
(a) Other operating income					
Net fees and commission income	237,595	154,227	144,608	116,728	129,388
Gains arising from dealing activities	(1,381)	317	498	(2,499)	1,035
Gains arising from dealing in foreign currency	24,226	24,230	19,397	16,969	11,547
Dividend income from listed investments	27	21	176	173	-
Dividend income from unlisted investments	10,809	14,785	11,075	9,834	5,500
Rental income less outgoings	5,352	4,194	4,591	4,936	4,928
Others	20,676	18,805	16,376	15,973	16,148
	297,304	216,579	196,721	162,114	168,546
(b) Operating expenses					
Staff costs					
Salaries and other staff costs	211,056	181,512	158,298	143,026	121,353
Retirement benefit costs	13,237	11,984	10,531	8,872	7,617
	224,293	193,496	168,829	151,898	128,970
Premises and equipment expenses, excluding depreciation	39,738	45,095	42,865	44,029	40,569
Depreciation	45,825	40,034	31,424	28,547	25,153
Auditor's remuneration	1,947	1,812	1,810	2,324	1,070
Others	70,685	48,206	41,035	34,095	38,995
	382,488	328,643	285,963	260,893	234,757

Kwong On Bank, Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	144	138	129	116	100
Cost / EBITDA	124	112	98	95	100
Total Cost / Total Income	114	108	99	97	100
ROA = EBITDA / Total Assets	82	86	93	96	100
ROE = EBITDA / Shareholder's fund	56	58	94	98	100
Profit Margin	74	82	93	96	100
Financial Leverage	69	68	100	102	100
Premise cost / EBITDA ratio	246	199	94	96	100
Staff cost / EBITDA ratio	123	112	103	99	100
Premise cost / Total Cost ratio	199	177	96	101	100
Staff cost / Total Cost ratio	99	100	105	104	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	667,097	642,537	600,174	539,590	464,754
Cost / EBITDA	65.5%	59.5%	52.1%	50.3%	53.0%
Total Cost / Total Income	39.6%	37.3%	34.2%	33.5%	34.6%
ROA = EBITDA / Total Assets	2.28%	2.40%	2.60%	2.69%	2.79%
ROE = EBITDA / Shareholder's fund	14.9%	15.4%	24.8%	26.1%	26.6%
Profit Margin	3.34%	3.73%	4.23%	4.37%	4.54%
Financial Leverage	6.54	6.45	9.54	9.72	9.52
Premise cost / EBITDA ratio	11.80%	9.51%	4.52%	4.60%	4.79%
Staff cost / EBITDA ratio	40.43%	36.93%	34.07%	32.61%	32.96%
Premise cost / Total Cost ratio	18.0%	16.0%	8.7%	9.2%	9.0%
Staff cost / Total Cost ratio	61.7%	62.0%	65.4%	64.9%	62.2%

Branch Network	1997	1996	1995	1994	1993
Branch Network - HongKong Island	12	10	-	-	-
Branch Network - Kowloon	14	14	-	-	-
Branch Network - New Territories	7	7	-	-	-
Total	33	31	-	-	-

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	2,212,968	1,911,922	1,817,715	1,291,812	1,004,140
Interest expense	(1,349,320)	(1,111,922)	(1,129,471)	(674,388)	(456,046)
Net interest income	863,648	800,000	688,244	617,424	548,094
Other operating income	240,459	225,167	224,375	193,380	162,771
Operating income	1,104,107	1,025,167	912,619	810,804	710,865
Operating expenses	(488,785)	(428,500)	(339,171)	(296,611)	(268,981)
Operating profit before provisions	615,322	596,667	573,448	514,193	441,884
Charge for bad and doubtful debts	(46,448)	(78,932)	(47,575)	(32,352)	(24,023)
Operating profit	568,874	517,735	525,873	481,841	417,861
Profit/loss on disposal of fixed assets and long-term investments	3,808	20,833	6,787	(246)	(495)
Profit before taxation	572,682	538,568	532,660	481,595	417,366
Taxation	(91,350)	(84,835)	(88,306)	(82,334)	(76,851)
Profit after taxation	481,332	453,733	444,354	399,261	340,515
Minority interests	-	-	-	-	-
Profit attributable to shareholders	481,332	453,733	-	-	-
Transfer from premises revaluation reserve	6,984	-	-	-	-
Transfer to general reserve	(320,000)	(306,000)	(350,000)	(313,500)	(273,000)
Dividends	(161,250)	(146,250)	(93,000)	(84,000)	(70,500)
Profit for the year retained	7,066	1,483	1,354	1,761	(2,985)

Kwong On Bank, Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	6,203,868	5,763,746	6,588,325	-	-
Placements with banks and other financial institutions maturing between one and twelve months	382,000	1,584,521	936,752	-	-
Trade bills less provision	541,256	575,120	502,346	-	-
Certificates of deposit	690,566	244,481	69,835	-	-
Advances to customers and other accounts less provision	19,948,786	17,137,849	14,128,774	12,308,493	10,215,086
Investment securities	5,932	12,783	87,301	-	-
Tangible Fixed assets	1,514,232	1,494,241	735,115	-	-
Total assets	29,286,640	26,812,741	23,048,448	20,079,000	16,664,000
Liabilities					
Deposits and balances of banks and other financial institutions	888,994	120,450	175,264	-	-
Current, fixed, savings and other deposits of customers	21,312,936	20,562,045	18,329,561	-	-
Certificates of deposit issued	1,680,467	1,137,713	1,455,731	-	-
Other accounts and provisions	811,925	687,377	578,184	-	-
Proposed dividend	113,250	146,250	93,000	-	-
Total liabilities	24,807,572	22,653,835	20,631,740	18,014,000	14,914,000
Capital Resources					
Share capital	750,000	750,000	600,000	-	-
Reserves	3,729,068	3,408,906	1,816,708	-	-
Shareholders' funds	4,479,068	4,158,906	2,416,708	2,065,000	1,750,000
Minority interests	-	-	-	-	-
Total liabilities and capital resources	29,286,640	26,812,741	23,048,448	20,079,000	16,664,000

Balance Sheet*(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	6,167,868	5,679,746	6,510,325	-	-
Placements with banks and other financial institutions maturing between one and twelve months	319,000	1,584,521	936,752	-	-
Trade bills	541,256	575,120	502,346	-	-
Certificates of deposit	690,566	244,481	69,835	-	-
Advances to customers and other accounts less provision	19,944,515	17,133,798	14,125,624	-	-
Investment securities	5,252	12,103	86,621	-	-
Investment in subsidiaries	37,600	37,600	37,600	-	-
Tangible fixed assets	1,504,404	1,484,021	724,614	-	-
Total assets	29,210,461	26,751,390	22,993,717	-	-
Liabilities					
Deposits and balances of banks and other financial institutions	917,190	145,048	203,138	-	-
Current, fixed, savings and other deposits of customers	21,329,755	20,577,811	18,338,432	-	-
Certificates of deposit issued	1,682,967	1,143,713	1,458,731	-	-
Other accounts and provisions	798,025	674,133	566,885	-	-
Proposed dividend	113,250	146,250	93,000	-	-
Total liabilities	24,841,187	22,686,955	20,660,186	-	-
Shareholder's Fund					
Share capital	750,000	750,000	600,000	-	-
Reserves	3,619,274	3,314,435	1,733,531	-	-
Total shareholders' funds	4,369,274	4,064,435	2,333,531	-	-
Total liabilities and shareholders' funds	29,210,461	26,751,390	22,993,717	-	-

Kwong On Bank, Ltd.**Operating Profit****(a) Other operating income**

	1997	1996	1995	1994	1993
Net fees and commission income	120,594	111,665	114,311	102,285	90,703
Gains arising from dealing in foreign currencies	37,295	35,065	34,406	25,403	16,801
Dividend income from unlisted investments	960	870	480	775	320
Retail income less outgoing	-	2,051	2,621	1,355	-
Others	81,610	75,516	72,557	63,542	54,947
	<u>240,459</u>	<u>225,167</u>	<u>224,375</u>	<u>193,360</u>	<u>162,771</u>

(b) Operating expenses**Staff costs**

Salaries and other staff costs	235,524	214,694	183,879	-	-
Retirement benefit costs	34,154	22,610	20,600	-	-
	<u>269,678</u>	<u>237,304</u>	<u>204,479</u>	<u>175,983</u>	<u>153,179</u>

Premises and equipment expenses, excluding depreciation

Depreciation	78,719	61,084	27,110	24,833	22,250
Auditor's remuneration	51,775	45,870	26,726	25,397	22,870
Reinsurance Premium Expenses	1,612	1,403	1,176	1,010	931
Others	-	-	23,180	20,838	21,384
	<u>87,001</u>	<u>82,839</u>	<u>56,500</u>	<u>48,550</u>	<u>48,367</u>
	<u>488,785</u>	<u>428,500</u>	<u>339,171</u>	<u>296,611</u>	<u>268,981</u>

Union Bank of Hong Kong Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	298	218	167	140	100
Cost / EBITDA	49	59	71	74	100
Total Cost / Total Income	64	73	82	84	100
ROA = EBITDA / Total Assets	168	158	141	134	100
ROE = EBITDA / Shareholder's fund	104	114	100	93	100
Profit Margin	123	128	120	119	100
Financial Leverage	62	72	71	69	100
Premise cost / EBITDA ratio	62	81	70	76	100
Staff cost / EBITDA ratio	54	66	79	80	100
Premise cost / Total Cost ratio	126	136	98	103	100
Staff cost / Total Cost ratio	110	111	111	107	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	486,518	355,117	272,401	228,306	163,120
Cost / EBITDA	41.9%	50.2%	60.4%	63.1%	85.1%
Total Cost / Total Income	29.5%	33.4%	37.7%	38.7%	46.0%
ROA = EBITDA / Total Assets	2.27%	2.15%	1.91%	1.82%	1.35%
ROE = EBITDA / Shareholder's fund	20.2%	22.2%	19.5%	18.1%	19.4%
Profit Margin = EBITDA / (Total advances	3.4%	3.5%	3.3%	3.3%	2.7%
Financial Leverage	8.91	10.33	10.22	9.95	14.34
Premise cost / EBITDA ratio	3.19%	4.14%	3.59%	3.92%	5.14%
Staff cost / EBITDA ratio	30.50%	37.10%	44.33%	44.97%	56.39%
Premise cost / Total Cost ratio	7.62%	8.24%	5.93%	6.21%	6.04%
Staff cost / Total Cost ratio	72.87%	73.88%	73.37%	71.22%	66.30%

Branch Network	1997	1996	1995	1994	1993
Branch Network - HongKong Island	11	10	10	10	9
Branch Network - Kowloon	8	8	8	7	7
Branch Network - New Territories	3	3	3	3	3
Total	22	21	21	20	19

Consolidated Profit & Loss Account (Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	1,529,890	1,180,425	1,017,432	708,197	503,829
Interest expense	(1,003,328)	(753,673)	(675,707)	(428,382)	(283,192)
Net interest income	526,562	426,752	341,725	279,815	220,637
Other operating income	163,570	106,690	95,282	92,640	81,217
Operating income	690,132	533,442	437,007	372,455	301,854
Operating expenses	(224,995)	(199,969)	(180,441)	(157,343)	(150,545)
Operating profit before provisions	465,137	333,473	256,566	215,112	151,309
Charge for bad and doubtful debts	(57,943)	(9,844)	1,102	(11,994)	(4,718)
Operating profit	407,194	323,629	257,668	203,118	146,591
Profit/loss on disposal of fixed assets and long-term investments	-	-	-	-	-
Exceptional item	9,171	-	-	-	-
Share of profits of associated company	1,828	2,533	438	1,710	1,372
Profit before taxation	418,193	326,162	258,106	204,828	147,963
Taxation	(77,261)	(55,740)	(32,962)	(718)	(996)
Profit after taxation	340,932	270,422	225,144	204,110	146,967
Minority interests	-	-	-	-	-
Profit attributable to shareholders	340,932	270,422	225,144	204,110	146,967
Transfers to general reserve	-	(100,000)	-	(43,000)	(31,000)
Dividends	(132,068)	(97,553)	(85,344)	(78,232)	(64,008)
Profit for the year retained	208,864	72,869	139,800	82,878	51,959

	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	1.20	1.12	0.95	0.86	0.63

Union Bank of Hong Kong Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	5,132,845	4,604,922	4,955,148	4,386,116	4,026,341
Placements with banks and other financial institutions maturing between one and twelve months	790,398	703,976	77,330	255,256	-
Trade bills less provision	228,140	227,423	83,857	56,841	37,767
Certificates of deposit	145,498	128,680	63,665	76,401	-
Securities held for dealing purposes	-	-	-	-	-
Advances to customers and other accounts less provision	14,335,662	10,093,219	8,313,777	6,995,804	5,948,538
Investment securities	6,057	-	-	-	51,348
Investment in associated company	21,467	19,790	18,173	19,797	15,269
Tangible Fixed assets	775,851	777,193	774,681	757,006	508,267
Liabilities of customers for engagements	-	-	-	-	1,452,677
Total assets	21,435,918	16,555,203	14,286,631	12,547,221	12,040,207
Liabilities					
Deposits and balances of banks and other financial institutions	920,410	82,627	500,884	1,261,187	9,691,673
Current, fixed, savings and other deposits of customers	15,799,387	13,241,144	11,025,631	8,887,924	-
Certificates of deposit issued	1,931,195	1,330,480	1,110,000	938,000	-
Floating rate notes issued	-	-	-	-	-
Other accounts and provisions	243,326	188,649	155,143	140,172	-
Deferred Taxation	1,429	34	32,649	98	-
Taxation	34,096	22,840	-	-	-
Due to holding company	-	-	-	-	8,819
Engagements on behalf of customers	-	-	-	-	1,452,677
Proposed dividend	99,064	86,665	64,008	59,267	47,413
Total liabilities	19,028,907	14,952,439	12,888,315	11,286,648	11,200,582
Capital Resources					
Share capital	600,386	487,770	474,131	474,131	474,131
Reserves	1,806,625	1,114,994	924,185	786,442	365,495
Shareholders' funds	2,407,011	1,602,764	1,398,316	1,260,573	839,626
Minority interests	-	-	-	-	-
Total liabilities and capital resources	21,435,918	16,555,203	14,286,631	12,547,221	12,040,208

Union Bank of Hong Kong Ltd.

Balance Sheet

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	5,132,702	4,604,826	4,955,000	4,385,881	4,026,301
Placements with banks and other financial institutions maturing between one and twelve months	790,398	703,976	82,330	271,206	-
Trade bills	228,140	227,423	83,857	56,841	37,767
Certificates of deposit	145,498	128,680	63,665	76,401	-
Securities held for dealing purposes	-	-	-	-	-
Advances to customers and other accounts less provision	14,299,215	10,041,132	8,231,505	6,923,518	5,800,440
Amount due from subsidiaries	-	-	-	-	97,899
Investment securities	-	-	-	-	51,332
Investment in subsidiaries	47,577	47,577	47,577	48,577	42,577
Investment in associated company	14,508	14,508	14,508	14,508	14,508
Dividend receivable	-	-	-	-	4,800
Tangible fixed assets	770,680	771,764	773,933	756,037	507,850
Liabilities of customers for engagement	-	-	-	-	1,452,677
Total assets	21,428,718	16,539,886	14,252,375	12,532,969	12,036,151
Liabilities					
Deposits and balances of banks and other financial institutions	960,967	90,829	507,941	1,269,348	-
Current, fixed, savings and other deposits of customers	15,802,999	13,223,117	11,008,138	8,889,744	9,558,138
Certificates of deposit issued	1,931,195	1,330,480	1,110,000	938,000	-
Floating rate notes issued	-	-	64,008	59,267	-
Other accounts and provisions	251,377	212,535	152,634	134,500	-
Deferred Taxation	1,404	-	32,266	-	-
Taxation	29,615	22,199	-	-	-
Due to holding company	-	-	-	-	8,818
Due to subsidiaries	-	-	-	-	140,438
Engagements on behalf of customers	-	-	-	-	1,452,677
Proposed dividends	99,064	86,665	-	-	47,413
Total liabilities	19,076,621	14,965,825	12,874,987	11,290,859	11,207,484
Shareholder's Fund					
Share capital	600,386	487,770	474,131	474,131	474,131
Reserves	1,751,711	1,086,291	903,257	767,979	354,535
Total shareholders' funds	2,352,097	1,574,061	1,377,388	1,242,110	828,666
Total liabilities and shareholders' funds	21,428,718	16,539,886	14,252,375	12,532,969	12,036,150

Operating Profit

(a) Other operating income

	1997	1996	1995	1994	1993
Net fees and commission income	147,758	93,623	81,595	80,621	74,279
Gains arising from dealing in foreign currency	8,476	5,060	4,801	5,556	2,358
Gains arising from dealing activities	524	-	-	-	-
Dividend income from listed investments	240	-	-	-	-
Dividend income from unlisted investments	2,192	520	480	400	320
Others	4,380	7,487	7,968	8,549	4,260
	163,570	106,690	94,844	95,126	81,217

(b) Operating expenses

Staff costs					
Salaries and other staff costs	140,023	124,342	114,616	97,365	87,268
Retirement benefit costs	8,345	7,410	6,150	5,293	4,713
	148,368	131,752	120,766	102,658	91,981
Premises and equipment expenses, excluding depreciation	15,519	14,691	9,769	8,947	8,378
Depreciation	21,381	21,644	15,835	13,194	11,811
Auditor's remuneration	1,143	1,040	970	916	900
Others	38,283	30,692	32,660	31,702	37,486
	224,694	199,819	180,000	157,417	150,556

Wing Hang Bank, Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	201	169	135	109	100
Cost / EBITDA	94	93	101	109	100
Total Cost / Total Income	99	96	100	106	100
ROA = EBITDA / Total Assets	90	93	97	93	100
ROE = EBITDA / Shareholder's fund	99	94	86	79	100
Profit Margin	78	87	93	90	100
Financial Leverage	109	101	89	86	100
Premise cost / EBITDA ratio	80	84	99	109	100
Staff cost / EBITDA ratio	97	96	101	110	100
Premise cost / Total Cost ratio	85	91	98	100	100
Staff cost / Total Cost ratio	103	104	100	101	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	1,267,581	1,066,136	854,392	686,185	630,631
Cost / EBITDA	43.8%	43.2%	46.9%	50.7%	46.6%
Total Cost / Total Income	27.6%	26.8%	28.1%	29.8%	28.0%
ROA = EBITDA / Total Assets	2.67%	2.77%	2.89%	2.76%	2.98%
ROE = EBITDA / Shareholder's fund	30.1%	28.7%	26.3%	24.2%	30.4%
Profit Margin = EBITDA / (Total advances + Bad & Doubtful Debts)	3.82%	4.26%	4.55%	4.41%	4.89%
Financial Leverage	11.59	10.71	9.46	9.13	10.61
Premise cost / EBITDA ratio	4.06%	4.26%	5.02%	5.50%	5.06%
Staff cost / EBITDA ratio	26.48%	26.27%	27.62%	30.14%	27.37%
Premise cost / Total Cost ratio	9.28%	9.87%	10.70%	10.83%	10.87%
Staff cost / Total Cost ratio	60.47%	60.88%	58.85%	59.42%	58.75%

Branch Network	1997	1996	1995	1994	1993
Branch Network - HongKong Island	8	7	7	7	7
Branch Network - Kowloon	13	12	12	12	11
Branch Network - New Territories	5	4	4	3	3
Total	26	23	23	22	21

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	3,725,311	2,746,479	2,389,095	1,630,185	1,266,291
Interest expense	(2,374,800)	(1,582,020)	(1,457,874)	(883,020)	(625,330)
Net interest income	1,350,511	1,164,459	931,221	747,165	640,961
Interest on new issue of shares	-	-	-	-	19,778
Other operating income	400,693	292,304	257,011	230,193	215,308
Operating income	1,751,204	1,456,763	1,188,232	977,358	876,047
Operating expenses	(519,411)	(425,378)	(367,403)	(319,645)	(269,586)
Operating profit before provisions	1,231,793	1,031,385	820,829	657,713	606,461
Charge for bad and doubtful debts	(167,100)	(116,444)	(61,812)	(32,732)	(45,725)
Operating profit	1,064,693	914,941	759,017	624,981	560,736
Profit/loss on disposal of fixed assets and long-term investments	(13,357)	(563)	1,116	2,620	1,770
Exceptional item	(14,800)	-	-	-	-
Share of profits of associated company	1,856	1,733	497	-	-
Profit before taxation	1,038,392	916,111	760,630	627,601	562,506
Taxation	(165,920)	(144,157)	(130,469)	(107,628)	(104,433)
Profit after taxation	872,472	771,954	630,161	519,973	458,073
Minority interests	(1,182)	(1,227)	(350)	-	-
Profit attributable to shareholders	871,290	770,727	629,811	519,973	458,073
Dividends	347,161	(308,770)	(227,850)	(176,400)	(100,450)
Profit for the year retained	1,218,451	461,957	401,961	343,573	357,623

	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	2.96	2.63	2.57	2.12	1.97

Wing Hang Bank, Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	10,607,158	9,890,751	7,976,064	6,851,980	5,652,882
Placements with banks and other financial institutions maturing between one and twelve months	546,070	570,611	148,947	237,964	830,652
Trade bills less provision	399,422	513,230	390,897	355,611	293,967
Certificates of deposit	189,259	29,126	29,126	149,848	-
Securities held for dealing purposes	83,700	181,334	50,644	77,380	3,445
Advances to customers and other accounts less provision	32,994,495	24,901,857	18,717,354	15,519,045	12,845,333
Investment securities	1,547,798	1,286,349	1,240,507	689,621	794,100
Investment in associated company	169	13,420	12,150	-	-
Tangible Fixed assets	1,022,563	1,027,959	996,751	976,980	726,013
Goodwill	4,362	4,943	5,525	-	-
Total assets	47,394,996	38,419,580	29,567,965	24,858,429	21,146,392
Liabilities					
Deposits and balances of banks and other financial institutions	2,647,651	1,078,348	983,669	1,239,993	1,421,213
Current, fixed, savings and other deposits of customers	36,208,208	30,720,229	23,295,111	19,317,127	16,206,694
Certificates of deposit issued	2,640,000	1,290,000	1,560,000	1,160,000	620,000
Floating rate notes issued	968,562	966,875	-	-	-
Other accounts and provisions	590,964	540,233	435,443	300,783	805,856
Proposed dividend	235,325	220,540	154,350	117,600	100,450
Total liabilities	43,290,710	34,816,225	26,428,573	22,135,503	19,154,213
Capital Resources					
Share capital	294,156	245,045	245,000	245,000	245,000
Reserves	3,793,578	3,342,939	2,880,248	2,477,926	1,747,179
Shareholders' funds	4,087,734	3,587,984	3,125,248	2,722,926	1,992,179
Minority interests	16,552	15,371	14,144	-	-
Total liabilities and capital resources	47,394,996	38,419,580	29,567,965	24,858,429	21,146,392

Wing Hang Bank, Ltd.**Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	10,091,618	9,165,940	7,107,460	6,008,509	4,919,370
Placements with banks and other financial institutions maturing between one and twelve months	468,607	522,646	87,624	201,418	803,285
Trade bills	373,539	490,089	369,246	336,120	281,063
Certificates of deposit	160,133	-	-	149,848	-
Securities held for dealing purposes	83,700	181,334	50,644	77,380	3,445
Advances to customers and other accounts less provision	28,126,156	21,007,721	16,087,537	13,410,289	10,989,732
Amount due from subsidiaries	1,667,313	1,227,244	913,065	606,232	262,557
Investment securities	1,186,539	967,561	1,119,817	437,810	208,135
Investment in subsidiaries	330,657	284,151	264,151	119,662	115,798
Tangible fixed assets	707,532	678,977	640,877	616,432	587,356
Total assets	43,195,793	34,525,663	26,640,421	21,963,700	18,170,741
Liabilities					
Deposits and balances of banks and other financial institutions	2,615,425	1,038,194	945,650	1,173,847	1,355,368
Current, fixed, savings and other deposits of customers	26,316,002	21,842,769	16,280,894	13,239,861	12,115,556
Certificates of deposit issued	2,640,000	1,290,000	1,560,000	1,160,000	620,000
Floating rate notes issued	968,562	966,875	-	-	-
Other accounts and provisions	340,965	287,925	295,955	212,869	576,542
Amount due to subsidiaries	6,556,595	5,772,328	4,646,644	3,642,762	1,669,323
Proposed dividend	235,325	220,540	154,350	117,600	100,450
Total liabilities	39,672,874	31,418,631	23,883,493	19,546,939	16,437,239
Shareholder's Fund					
Share capital	294,156	245,045	245,000	245,000	245,000
Reserves	3,228,763	2,861,987	2,511,928	2,171,761	1,488,502
Total shareholders' funds	3,522,919	3,107,032	2,756,928	2,416,761	1,733,502
Total liabilities and shareholders' funds	43,195,793	34,525,663	26,640,421	21,963,700	18,170,741

Operating Profit**(a) Other operating income**

	1997	1996	1995	1994	1993
Gains arising from dealing in foreign currencies	66,380	56,894	63,960	54,602	77,611
Gains arising from dealing activities	1,231	5,097	584	1,434	4,809
Net fees and commission income	314,845	212,131	174,365	163,036	122,280
Dividend income from unlisted investments	1,881	1,235	782	510	411
Others	16,356	16,947	17,320	10,611	10,197
	400,693	292,304	257,011	230,193	215,308

(b) Operating expenses

Staff costs					
Salaries and other staff costs	312,093	252,490	212,679	188,224	156,790
Retirement benefit costs	23,611	27,621	23,309	18,623	15,797
	335,704	280,111	235,988	206,847	172,587
Premises and equipment expenses, excluding depreciation	51,527	45,403	42,902	37,718	31,928
Depreciation	35,788	34,751	33,563	28,472	24,170
Auditor's remuneration	1,730	1,584	1,455	1,347	1,225
Others	85,662	63,529	53,495	45,261	39,676
	510,411	425,378	367,403	319,645	269,586

Wing Lung Bank, Ltd.

Financial Performance Trends (1993=100)	1997	1996	1995	1994	1993
EBITDA	163	152	127	109	100
Cost / EBITDA	97	90	96	102	100
Total Cost / Total Income	98	93	97	102	100
ROA = EBITDA / Total Assets	92	90	90	93	100
ROE = EBITDA / Shareholder's fund	49	50	46	93	100
Profit Margin	76	87	90	93	100
Financial Leverage	53	55	52	100	100
Premise cost / EBITDA ratio	66	70	75	90	100
Staff cost / EBITDA ratio	98	90	95	102	100
Premise cost / Total Cost ratio	68	78	78	88	100
Staff cost / Total Cost ratio	101	100	99	99	100

Financial Summary (Consolidated)	1997	1996	1995	1994	1993
EBITDA	1,179,363	1,093,717	917,644	786,080	721,865
Cost / EBITDA	36.5%	33.9%	35.9%	38.4%	37.5%
Total Cost / Total Income	26.7%	25.3%	26.4%	27.8%	27.3%
ROA = EBITDA / Total Assets	2.39%	2.33%	2.31%	2.41%	2.59%
ROE = EBITDA / Shareholder's fund	20.5%	20.9%	19.5%	39.2%	42.1%
Profit Margin = EBITDA / (Total advances + Bad & Doubtful Debts)	4.1%	4.7%	4.9%	5.0%	5.4%
Financial Leverage	8.59	8.96	8.42	16.29	16.27
Premise cost / EBITDA ratio	2.88%	3.05%	3.24%	3.90%	4.35%
Staff cost / EBITDA ratio	25.85%	23.80%	25.08%	26.77%	26.35%
Premise cost / Total Cost ratio	7.90%	8.99%	9.04%	10.15%	11.59%
Staff cost / Total Cost ratio	70.83%	70.12%	69.88%	69.65%	70.25%

Branch Network	1997	1996	1995	1994	1993
Branch Network - HongKong Island	13	13	12	12	12
Branch Network - Kowloon	13	12	12	10	10
Branch Network - New Territories	8	7	7	6	6
Total	34	32	31	28	28

Consolidated Profit & Loss Account

(Expressed in thousands of Hong Kong dollars)

	1997	1996	1995	1994	1993
Interest income	3,632,170	3,098,643	2,842,217	1,982,343	1,504,013
Interest expense	(2,457,811)	(2,008,504)	1,929,131	(1,194,733)	(838,490)
Net interest income	1,174,359	1,090,139	913,086	787,610	665,523
Other operating income	435,381	374,812	333,828	300,555	327,111
Operating income	1,609,740	1,464,951	1,246,914	1,088,165	992,634
Operating expenses	(464,982)	(405,936)	(365,513)	(340,155)	(289,838)
Operating profit before provisions	1,144,758	1,059,015	881,401	748,010	702,796
Charge for bad and doubtful debts	(56,414)	34,341	(20,850)	(19,504)	(32,729)
Operating profit	1,088,344	1,024,674	860,551	728,506	670,067
Profit/loss on disposal of fixed assets and long-term investments	25,027	4,535	10,131	7,566	7,205
Exceptional item	-	-	-	-	-
Share of profits of associated company	-	-	-	-	-
Profit before taxation	1,113,371	1,029,209	870,682	736,072	677,272
Taxation	(174,231)	(167,392)	(14,116)	(124,691)	(121,480)
Profit after taxation	939,140	861,817	729,514	611,381	555,792
Minority interests	-	-	-	-	-
Profit attributable to shareholders	939,140	861,817	729,514	611,381	555,792
Dividends	(417,942)	338,611	(282,176)	(231,115)	192,596
Profit for the year retained	521,198	523,206	447,338	447,338	447,338

	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	4.04	3.71	3.77	5	4.14

Wing Lung Bank, Ltd.**Consolidated Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	13,415,875	15,306,966	14,242,755	12,256,876	11,468,824
Placements with banks and other financial institutions maturing between one and twelve months	2,289,048	3,380,512	2,259,703	2,329,802	824,581
Trade bills less provision	177,774	167,870	165,958	549,808	593,642
Certificates of deposit	474,630	297,208	145,489	-	-
Securities held for dealing purposes	616,312	610,596	563,111	877,381	1,074,186
Advances to customers and other accounts less provision	28,596,365	23,496,635	18,891,717	15,751,115	13,381,448
Investment securities	1,579,241	1,348,665	1,129,261	535,943	213,588
Investment in associated company	-	-	-	-	-
Tangible Fixed assets	2,250,286	2,261,215	2,244,215	379,251	363,240
Goodwill	-	-	-	-	-
Total assets	49,399,531	46,869,667	39,642,209	32,680,176	27,919,509
Liabilities					
Deposits and balances of banks and other financial institutions	744,529	874,447	219,394	466,234	257,625
Current, fixed, savings and other deposits of customers	39,333,106	37,256,763	32,367,294	27,680,923	24,057,859
Certificates of deposit issued	2,225,000	2,453,250	1,563,000	1,263,000	713,000
Floating rate notes issued	-	-	-	-	-
Other accounts and provisions	1,020,876	794,237	568,293	1,085,959	1,026,792
Proposed dividend	325,066	261,214	217,678	177,367	147,806
Total liabilities	43,648,577	41,639,911	34,935,659	30,673,483	26,203,082
Capital Resources					
Share capital	1,160,951	967,459	806,216	671,846	559,872
Reserves	4,590,003	4,262,297	3,900,334	1,334,847	1,156,555
Shareholders' funds	5,750,954	5,229,756	4,706,550	2,006,693	1,716,427
Minority interests	-	-	-	-	-
Total liabilities and capital resources	49,399,531	46,869,667	39,642,209	32,680,176	27,919,509

Wing Lung Bank, Ltd.**Balance Sheet***(Expressed in thousands of Hong Kong dollars)*

	1997	1996	1995	1994	1993
Assets					
Cash and short-term funds	13,372,591	15,260,271	14,231,403	12,212,317	11,441,372
Placements with banks and other financial institutions maturing between one and twelve months	2,267,936	3,359,480	2,204,225	2,322,462	810,052
Trade bills	177,774	167,870	165,958	549,808	593,642
Certificates of deposit	464,630	287,208	145,489	-	-
Securities held for dealing purposes	549,285	581,309	522,043	830,040	1,044,157
Advances to customers and other accounts less provision	28,577,115	23,355,968	18,863,440	15,744,080	13,204,158
Amount due from subsidiaries	1,533,010	1,317,208	1,101,798	508,479	192,203
Investment securities	48,520	48,520	48,520	48,510	35,510
Investment in subsidiaries	-	-	-	-	-
Tangible fixed assets	2,239,541	2,251,380	2,242,110	377,765	361,350
Total assets	49,230,402	46,629,214	39,524,986	32,593,461	27,682,444
Liabilities					
Deposits and balances of banks and other financial institutions	865,885	960,161	336,730	579,579	377,794
Current, fixed, savings and other deposits of customers	39,651,142	37,487,124	32,545,536	27,829,810	24,153,751
Certificates of deposit issued	2,225,000	2,453,250	1,563,000	1,263,000	713,000
Floating rate notes issued	-	-	-	-	-
Other accounts and provisions	906,391	653,889	503,366	1,028,509	815,428
Amount due to subsidiaries	-	-	-	-	-
Proposed dividend	325,066	261,214	217,678	177,367	147,806
Total liabilities	43,973,484	41,815,638	35,166,310	30,878,265	26,207,779
Shareholder's Fund					
Share capital	1,160,951	967,459	806,216	671,846	559,872
Reserves	4,095,967	3,846,117	3,552,460	1,043,350	914,793
Total shareholders' funds	5,256,918	4,813,576	4,358,676	1,715,196	1,474,665
Total liabilities and shareholders' funds	49,230,402	46,629,214	39,524,986	32,593,461	27,682,444

Operating Profit**(a) Other operating income**

	1997	1996	1995	1994	1993
Gains arising from dealing in foreign currency	99,516	137,856	73,894	60,931	109,818
Gains arising from dealing activities	(30,951)	10,354	15,316	(1,067)	11,000
Net fees and commission income	216,937	80,702	110,730	108,945	90,433
Dividend income from listed investments	7,580	6,693	6,598	5,118	4,408
Dividend income from unlisted investments	1,580	920	630	775	320
Rental income less outgoing	104,736	104,827	93,938	94,200	79,437
Others	35,983	33,460	32,722	31,653	31,695
	435,381	374,812	333,828	300,555	327,111

(b) Operating expenses

Staff costs					
Salaries and other staff costs	264,740	225,385	199,840	183,100	167,416
Retirement benefit costs	40,104	34,923	30,270	27,300	22,800
	304,844	260,308	230,110	210,400	190,216
Premises and equipment expenses, excluding depreciation	34,013	33,390	29,763	30,655	31,373
Depreciation	34,605	34,702	36,243	38,070	19,069
Auditor's remuneration	2,270	2,094	1,971	17,015	18,819
Others	89,250	75,442	67,426	59,094	47,358
	464,982	405,936	365,513	355,234	306,835

Branch Financial Performance and Locational Information

Branch Name	Days Operated	Competitors Around	Daytime Population	# of Staff	Gross Profit		Staff Cost	Net Interest Margin	HK\$ Deposit Interest Rate		HK\$ Loan Interest Rate		Total Deposit	Total Loan	Gross Profit
					per Staff				Rate		Rate				
All Branches	-	-	-	-	-	-	-	2.03	8.43		10.97		16,216	13,878	30,131
North Point	6,219	3	704,526	9	153.79	194.90		1.87	8.80		11.05		719	779	1,384
Western	7,662	1	512,673	7	152.19	181.40		2.25	8.54		11.10		569	410	1,065
Kwai Chung	7,250	1	618,986	14	130.20	256.00		1.57	8.53		11.08		768	1,074	1,823
Central	2,011	3	512,673	27	126.49	480.40		2.21	8.33		11.09		2,734	1,329	3,415
Hung Hom	3,388	2	520,120	9	126.32	187.50		2.28	8.23		10.93		521	477	1,137
Taikoktsui	6,394	1	566,460	9	123.91	135.20		2.69	8.17		11.35		385	426	1,115
Causeway Bay	2,309	3	400,232	11	123.16	218.80		1.79	8.79		10.77		798	799	1,355
Yuen Long	5,887	1	376,557	9	122.22	150.10		1.82	8.10		10.87		327	632	1,100
Tsimshatsui	3,028	2	566,460	13	116.95	263.90		2.17	8.18		10.76		838	693	1,520
Castle Peak Road	1,524	2	484,560	10	111.89	219.30		1.65	8.65		10.90		429	607	1,119
Tokwawan	1,861	3	520,120	7	109.77	147.90		2.14	8.36		10.88		322	363	768
Shamshuiipo	8,994	2	484,560	19	104.09	337.00		2.28	8.43		11.29		706	773	1,978
Sanpokong	6,594	1	520,120	10	101.43	164.80		2.07	8.42		11.20		450	477	1,014
Yaumati	9,993	2	566,460	17	100.68	310.60		2.11	8.20		11.05		1,124	505	1,712
Gold & Silver	7,714	1	512,673	8	95.59	147.00		3.02	7.67		11.16		339	299	765
Wanchai	6,669	3	400,232	10	93.36	175.00		2.40	8.47		11.08		580	413	934
Tai Wai	986	3	673,038	8	93.26	172.00		1.89	8.57		10.61		474	442	746
Jordan Road	2,001	2	566,460	9	91.08	147.90		1.81	8.65		10.84		383	506	820
Tsuen Wan	2,308	3	361,722	10	90.40	181.30		1.45	8.75		10.76		769	419	904
Cheung Sha Wan	1,738	1	484,560	7	90.03	128.00		3.14	6.49		11.03		141	206	630
Shauiwan	3,577	1	704,526	12	89.78	194.80		2.34	8.15		10.79		539	490	1,077
Mongkok Road	6,073	3	566,460	20	84.52	360.90		2.20	8.33		10.87		864	757	1,690
Kwun Tong	6,911	1	741,670	15	79.21	245.20		1.80	8.57		10.77		777	536	1,188
Kowloon city	432	3	520,120	8	51.03	139.30		1.64	8.88		10.81		281	234	408
Tai Po	319	2	317,156	9	28.71	140.30		1.78	8.73		11.08		163	127	258
Johnston Road	245	3	400,232	10	20.44	180.10		1.09	9.09		11.14		217	104	204

Notes:

Competitors Around

High (3)

Medium (2)

Low (1)

Meaning

There are more than 5 banks located in the same building/street with the branch.

There are 2 to 4 banks located in the same building/street with the branch.

There are 0 to 1 banks located in the same building/street with the branch.

Results of Correlation Analysis

Factors	Outcomes					
	Net Interest Margin	HK\$ Deposit Interest Rate	HK\$ Loan Interest Rate	Total Deposit	Total Loan	Gross Profit
Days Operated	0.35	-0.16	0.47	0.13	0.27	0.36
Competitors Around	-0.41	0.50	-0.31	0.26	0.09	0.06
Daytime Population	0.14	-0.05	-0.21	0.15	0.27	0.24

Phone Banking Transaction Breakdown

Transaction Type	Personal	Company	Total	% Total
<i>Exchange Rate Enquiry</i>	67,626	941	68,567	42.23%
<i>Balance Enquiry</i>	38,330	13,331	51,661	31.82%
<i>Interest Rate Enquiry</i>	21,767	233	22,000	13.55%
<i>A/C transfer</i>	13,764	1,724	15,488	9.54%
<i>Gold Rate Enquiry</i>	1,914	17	1,931	1.19%
<i>Paid Cheque Enquiry</i>	182	820	1,002	0.62%
<i>Nominated A/C Transfer</i>	740	81	821	0.51%
<i>Card Enquiry</i>	337	-	337	0.21%
<i>Card Payment</i>	235	-	235	0.14%
<i>PIN Change</i>	118	20	138	0.08%
<i>Cheque Book Request</i>	50	13	63	0.04%
<i>Order Enquiry</i>	37	-	37	0.02%
<i>Statement Enquiry</i>	22	15	37	0.02%
<i>Place Order</i>	27	-	27	0.02%
<i>Revoke Order</i>	16	-	16	0.01%
<i>Stop Cheque</i>	-	10	10	0.01%
Total Volume	145,165	17,205	162,370	100.00%

Source: The Wing Hang Bank, Limited

ATM Transaction Breakdown

Transaction Type	Jun-98	
	Other Bank	
<i>Cash Withdrawal</i>	61,250	5,131
<i>Cash Withdrawal Amount</i>	88,249	7,993
<i>Transfer</i>	4,266	668
<i>Transfer Amount</i>	33,711	-
<i>Deposit</i>	-	-
<i>Inquiry</i>	53,237	6,878
<i>Cheque Book Request</i>	55	8
<i>Statment Request</i>	17	-
<i>Pin Change</i>	584	254
<i>WHB Deposit Slip Request</i>	-	1
Total Volume	119,409	12,940
Grant Total For the Month		

Source: The Wing Hang Bank, Limited

Estimated Population by District During Branch Opening Hours

	(a) Population work in the district	(b) Population live in the district	(c) Population both work and live in the district	(a)+(b)-(c) Population reside in the district during branch opening hours
Kwun Tong	237,953	587,071	83,354	741,670
Eastern	218,147	594,087	107,708	704,526
Sha Tin New Town	153,888	582,993	63,843	673,038
Kwai Tsing	198,802	470,726	50,542	618,986
Yau Tsim Mong	364,254	260,573	58,367	566,460
Kowloon City	199,824	378,205	57,909	520,120
Central and Western	333,593	259,224	80,144	512,673
Tuen Mun New Town	92,134	463,703	58,237	497,600
Sham Shui Po	165,747	365,927	47,114	484,560
Wong Tai Sin	76,066	396,220	27,332	444,954
Wan Chai	269,929	171,656	41,353	400,232
Yuen Long New Town	57,855	341,030	22,328	376,557
Tsuen Wan New Town	130,640	270,801	39,719	361,722
Southern	89,108	287,670	48,542	328,236
Tai Po New Town	63,775	284,640	31,259	317,156
Fanling/Sheung Shui New Town	43,614	231,907	18,254	257,267
Sai Kung/Tseung Kwan O	20,597	197,876	7,873	210,600

Source: The 1996 Population Census, the Government of the HKSAR

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